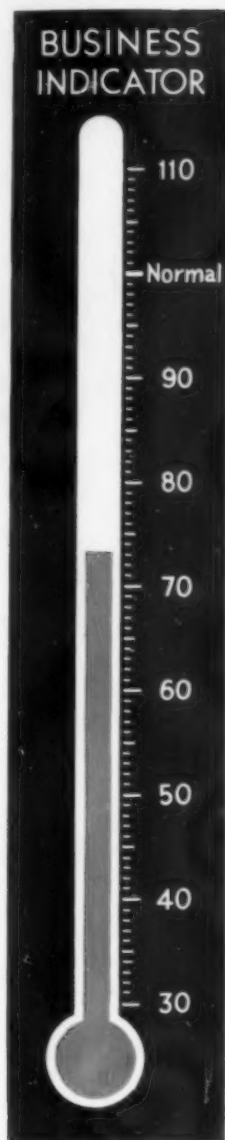


AUG 10 1931

# THE BUSINESS WEEK

AUG 12, 1931



Earnings reports for the second quarter are not discouraging . . . . European difficulties seem less menacing. Germany is calm; London is fortified with our credit . . . . These are the two cheerful things to be said of the most sluggish week of a sluggish summer . . . . The pulse of August, always listless, drops to a new low rhythm, as recorded by our index . . . . Automobile plants close down; building is curtailed sharply, foreshadowing dull days for steel makers . . . . Cotton, wheat, and copper prices move slowly downward in lackadaisical trading . . . . Efforts to dispose of surplus stores abroad are commended by statesmen and economists, criticized by some sectional politicians . . . . Security markets were unexciting . . . . Declines in car loadings and bank debits also reflect the summer inertia . . . . Though currency circulation has contracted somewhat, the level remains excessively high. The public is hoarding cash . . . . The promising expansion of bank loans has been stunted. In spite of ample reserves, credit expansion is restricted that liquidity may remain high . . . . The open market operations of the Federal Reserve continue to meet the resistance of member banks . . . . Mexico goes on a silver standard but calls it by another name. The result, to American investors, is the same . . . . Meanwhile Washington begins relief preparations for a gloomy winter and a state government resorts to martial law to raise the price of oil. It may work just as well as most government price boosting schemes.

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# What's In This Issue

## —And Why

### Earnings

THE second quarter earnings statements reveal an accelerated upward seasonal trend that compensates, to some extent, for the drop from 1930 levels. (page 5)

### Europe

GERMAN banks reopened without a run, created confidence; the new import regulations encourage exports, lock the door on all but raw material imports. (page 7)

### Tires

SEARS, Roebuck plans to meet the tiremakers and oil stations on their own ground with a chain of service stations selling gas, oil, tires and accessories. (page 9)

### Mexico

MEXICO's resort to the silver standard aids the masses for the moment, cripples industry and foreign trade, causes foreign banks to threaten withdrawal. (page 10)

### Real Estate

PROPOSALS to create a central mortgage bank for the betterment of real estate and home building meet with varied response, mainly favorable. (page 11)

THE "realty trust," as operated in Chicago, considers a lower return better for the bondholder than a forced sale and high fees. (page 11)

### New Ice Age

NEW uses, and a public made "cold-conscious" by the electric refrigerators, have increased ice consumption. (page 12)

### Washed Out Profits

PRICE cutting and cheaper models haven't done much for profits in the washing machine in-

dustry; nevertheless, some makers are finding their way back to a volume in dollars as well as in unit sales. (page 12)

### Automobiles

WITH half the industry shut down, for one reason and another, August production will be low; Ford rumors continue. (page 12)

"FLOATING POWER" may put Plymouth up top with Ford and Chevrolet; meanwhile, it certainly has put Chrysler himself in the spotlight. (page 16)

JUNKING old cars has become quite a business: 350,000 were removed from the roads last year at some profit to the scrappers, considerable benefit to the industry. (page 18)

### Obituaries

DIED, recently, after long illnesses, the Wool Institute, and the National Plumbing and Heating Institute. (page 12)

### Travel

WITH steamship lines cutting rates, featuring short cruises, it is almost as cheap to go abroad as to stay home—to the dismay of domestic hotels and railroads. (page 13)

### Stopping Surplus

CALIFORNIA peach growers and canners go to the root of overproduction, plan to stop it at the tree. (page 13)

### Steel

BIG Steel and Bethlehem did the same thing at their quarterly meetings; both cut dividends, talked wages—but how differently! (page 19)

THE industry hopes that lowered salaries will help stabilize prices; but modernization is still the most effective economy. (page 16)

### Instalment Sales

THE proportion of instalment sales to total sales (in those industries where they are a large factor) is about the same in lean times as in fat. (page 20)

# Fits Every Business

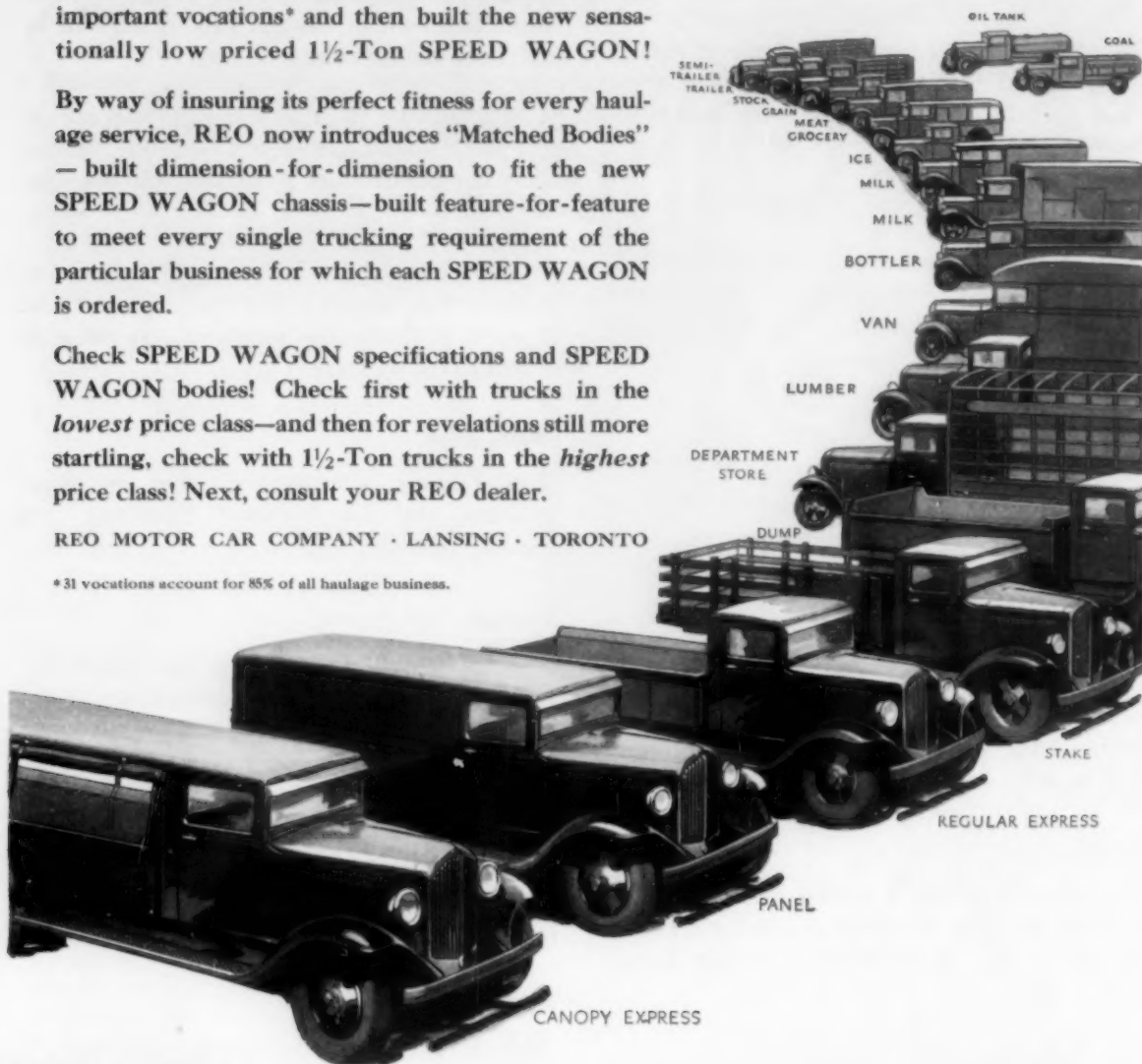
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# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

News of the week ending August 8, 1931

## Second-Quarter Earnings Offer Some Encouragement

**Totals 33% below 1930 levels don't look quite so bad on comparison with those of first 3 months**

CORPORATE earnings continued in the second quarter of 1931 to make poor comparisons with those of previous years. Most report-scanners made these comparisons. Some students, however, made a different analysis, checking second against first quarter. They found more encouragement, uncovered favorable signs obscured if one looks only at the spread between year and year.

Bright spot in a downpour of cheerless reports is a seasonal improvement in industrial earnings better than was recorded in 1929, contrasting with the dismal record of 1930.

### Pick-up Was Stronger

This year 162 industrial concerns showed a 28% gain from first to second quarter as against a fractional loss last year and only a 20% gain in 1929. Much of this improvement was accounted for by General Motors. But even when G.M. figures are eliminated from the record, the seasonal upswing—that spring pick-up normally reflected in earnings—remains decidedly better than for 1930.

Comparisons with these years by corresponding quarters and halves makes a less encouraging story. The 197 concerns thus far reporting show aggregate income 33% below the level for the second quarter of 1930. For the first 6 months of this year 359 corporations thus far reporting show income 38% below that of the first half of 1930.

### Rails Hardest Hit

Both for the second quarter and the first 6 months railroad earnings declines have been the most severe. Aggregate industrial corporation income has declined only a little less sharply than that of the rails. The loss by utility corporations has been comparatively slight.

Detailed results by industrial groups are set out in the table on Page 6, prepared by Standard Statistics Co. and *The Business Week*.

However, some companies are finding profits better in dull times. A list appears on this page covering such companies whose figures are available thus

### Their 6-Months' Earnings Beat 1930 Records

Company	Per Cent Increase	
	1931 Over 1930	
Adams-Millis Corp.	9	
Amalgamated Leather Cos.	223	
American Chiclé	2	
American Tel. & Tel.	9	
Auburn Automobile*	173	
Bigelow-Sanford Carpet	30	
Bohn Aluminum & Brass	34	
Butterick Co.	10	
Century Ribbon Mills	87	
Chicago Great Western	73	
Colgate-Palmolive-Peet	6	
Commonwealth Edison	6	
Consolidated Cigar	1	
Consolidated Gas, Elec. Lt. & Power of Baltimore	1	
Devos & Raynolds*	31	
Dome Mines†	1,704	
Endicott Johnson	9	
Dominion Stores, Ltd.	13	
Firestone Tire†	25	
General Baking‡	3	
Gotham Silk Hosiery	55	
Grand Union Co.	13	
Hershey Chocolate	11	
Intl. Business Machines	3	
International Salt (N. J.)	23	
Kroger Grocery§	777	
Lehigh Valley Coal(d)	...	
Loft, Inc.(d)	...	
Loose-Wiles Biscuit	6	
Monsanto Chemical Works	10	
National Distillers Products	56	
New England Tel. & Tel.	8	
J. C. Penney Co	24	
Peoples Gas, Light & Coke	0.2	
Scott Paper	3	
Standard Brands	10	
Telaugograph	8	
Waldorf System	2	
Western Dairy Products	63	
Willys-Overland	100	
Zonite Products	20	

\* First half ended May 31

† Before depreciation and depletion

‡ First half ended April 30

§ 24 Weeks ended June 30

¶ 27 weeks ended July 4

d Deficit 1930, income 1931

far for the first 6 months as reported by Standard Statistics. Additions probably will be made to the list as more reports are published. The list shows that 12% of those reporting to date for the first 6 months are doing better than they did last year.

Some industries are doing better than a year ago, some better than in 1929. Thus the apparel, coal and coke, miscellaneous service, shipping and telephone and telegraph industries make a better showing in the second quarter this year than last. And coal and coke, leather and shoes, miscellaneous services, shipping and telephone and telegraph are in the aggregate doing better this year than they did in the second quarter of 1929.

### Group Changes

For the first half of the year, 12 industrial groups showed declines greater than experienced from 1929 to 1930; 8 reveal smaller drops in such a comparison. The decline in total earnings for the 6 months was larger from 1930 to 1931 than from 1929 to 1930.

These facts directly explain the general downward trend of corporation stock prices, the painful necessity of adjusting wages and salaries downward in so many cases, the decreased income that investors get in dividends. They are the force driving some concerns into default of bonded obligations. But they are also the force driving industry toward cost-cutting, modernization and other economies.

### A Weakened Structure

The explanation of low earnings is, of course, the explanation of the entire depression. The forces causing one cause the other. The fundamentally serious feature of the level to which earnings have declined is the weakening of industry's capital structure. With earnings so far declined, some concerns find their securities, of questionable value. Such a situation weakens banks and all other institutions whose assets are almost entirely securities. The individual is affected similarly.

\* The tremendous surpluses accumulated by industry in prosperous years are generally of little aid in this situation. For most of the surplus has been regarded as additional capital, has been reinvested in capital assets. Expenses,

salaries, wages, taxes, dividends, interest, etc., cannot be paid with buildings and equipment, and sale of such assets is virtually out of the question. Many critics of industrial policy have entirely ignored this fact.

## Canada Decides to Save Western Wheat Pools

OTTAWA (*Special Correspondence*)—Premier Bennett's plan for replacement of the Western wheat pools by a trading corporation organized by the 3 prairie provincial governments and using pool elevators has been formally abandoned.

Separate organizations will be formed for each province embracing the pools and provincial government representation. The pool machinery and system of initial payment will be preserved but farmers will be released from contracts to deliver only to the pools. The federal government agrees to guarantee bank financing of crop handling under this plan. Its guarantee covers the whole grain trade.

### Open Market Preferred

The underlying purpose of the new set-up is to save the pools and their personnel at all cost. Pool heads admit that, desperately needing money, not more than 15% of the pool farmers will deliver to the pools, others preferring to take payment in full in the open market. Only sufficient pool machinery will be retained to handle this small part of crop, but the pool system and pool positions will be preserved.

It is proposed to appoint J. E. Brownlee, Premier of Alberta, as a kind of general supervisor of the 3 corporations and as liaison officer between the organizations and provincial governments.

At the urging of the pools the federal government is considering increasing its guarantee of bank credits to more than 50¢ a bushel. It previously intended to permit an initial payment between 40¢ and 50¢.

## Cotton Watches Germany And the Farm Board

COTTON prices this week made new lows for the season, on constantly improving crop prospects—and possibly somewhat influenced by dread that the Farm Board might decide to sell some of its 1.3 million bales.

The Board promised not to sell any during the last cotton year. The new cotton year began Aug. 1. The date

came and went without any statement of future policy. Carl Williams, cotton member of the board, said the old policy would obtain "pending any further announcement"—which leaves the sword still suspended over the market.

Meanwhile, negotiations continue with Germany for sale of Farm Board cotton and wheat. The Board is highly annoyed that the fact should become known—says that as in any private business deal, premature publicity tips off competitors. Just who are our competitors in cotton is a little puzzling—but Russia, or Canada might like to sell Germany the small amount of hard

wheat German millers need for mixing with their own soft wheat—some say 16 million bu.; some put it at 25. The Farm Board's stock amounts to 200 million bu.

The Board's deal to sell 100 million bu. to Italy last year was spoiled by publicity; Russia got the order.

Germany has been a good cotton buyer; she used to take 2.5 million bales; of late years, has been buying 1.6 millions. She acts as cotton broker for Baltic states, Poland, Russia.

Southern Senators protest noisily; selling Board cotton to Germany is just the same as selling it here; it will com-

## Second Quarter Earnings by Industries

Number of Companies	Group	Change from First Quarter 1931	Change from Second Quarter 1930	Number Companies	1st Half Change from First Half '30 to First Half '31
8	Advertising, Printing, Publishing	-26.6	-49.1	10	-39
2	Apparel	+43.2	+46	12	-77
12	Automobiles and trucks	+117.1	-1.2	14	-20
16	Auto Parts and Accessories	+103.7	-42.4	26	-55
6	Building, real estate, etc.	+21.8	-31.5	14	-57
10	Chemicals	+8.5	-18.5	16	-27
3	Coal and coke	-87.5	A	5	+116
5	Copper and brass	C	B	7	B
5	Electrical equipment	+47.0	-38.3	7	-50
12	Food products	-4.2	-8.2	24	-11
6	Household products	+240.0	-80.0	14	-18
1	Leather and shoes	C	B	8	-43
9	Machinery	-36.0	-81.3	19	-80
2	Mining and smelting	B	B	3	-61
1	Misc. drugs, medicines	-30.8	-13.8	5	-5
9	Misc. manufacturing	+10.2	-50.2	30	-53
5	Misc. services	+7.9	+8.6	11	-1
4	Office and business equipment	+39.8	-12.4	4	-29
8	Ore producing and refining	B	B	10	B
5	Paper and Paper Products	-2.4	-45.7	6	-43
1	Radio, phonographs, etc.	D	B	1	D
5	Railroad equipment	+11.6	-67.6	8	-79
6	Retail trade	+1.6	-1.0	17	+45
1	Shipping	+75.6	+62.5	1	+85
1	Silk and silk goods	D	B	2	-59
10	Steel and iron	-4.1	-84.6	23	-85
4	Theatres, motion pictures	-54.7	-26.1	4	-27
5	Cigars, manufactured tobacco	+11.8	-30.1	6	-24
..	Aircraft	.....	.....	4	A
..	Auto tires and rubber goods	.....	.....	3	-12
..	Cotton and cotton goods	.....	.....	2	C
..	Lead and zinc	.....	.....	1	+1
..	Wool and woolen goods	.....	.....	1	+36
162	TOTAL INDUSTRIALS	+27.9	-39.9	318	-46
2	U. S. Steel and General Motors	+74.7	-26.9	2	-40
160	Total, excl. U. S. S. and G. M.	+7.3	-46.7	316	-48
6	Electric light and power	-16.2	-7.1	7	-6
3	Telephone and telegraph	+1.2	+5.9	3	+8
4	Traction and bus	-20.1	-30.8	7	-30
13	TOTAL UTILITIES	-3.5	+2.2	17	+2
1	A. T. & T.	-2.8	+6.6	1	+9
12	Total, excl. A. T. & T.	-4.9	-5.8	16	-6
22	Railroads	+28.1	-56.4	24	-52
197	TOTAL CORPORATIONS	+16.9	-33.1	359	-38
3	U. S. S., G. M., A. T. & T.	+31.4	-16.0	3	-20
194	Total, excl. U. S. S., G. M., & A. T. & T.	+6.3	-43.3	356	-48

A. Change from deficit to income.

B. Change from income to deficit

C. Smaller deficit

D. Larger deficit.



*Underwood & Underwood*

**ALBERT H. WIGGIN**—The chairman of the Chase Bank is the American member of the special committee to study Germany's needs for further credits

pete with the new crop just the same; the Board should hold it.

The argument in favor of the deal is that Germany can buy no cotton at all unless she gets the Board's cotton on long credit. Here is a chance, then, to help Germany, hence world business, and lighten the Farm Board load—without competing with the new crop.

## Dutch May Not Join Other Nations Aiding Germany

**AMSTERDAM (Cable)**—Dutch financial circles so far are not inclined to join in the proposed international action placing fresh credits at the disposition of Germany, or even voluntarily prolonging outstanding credits, although it is recognized that circumstances practically compel acquiescence to a freezing up just now.

Resentment is felt at the political character of the London discussions and on matters decided between the big powers, some of which are financially involved not nearly to the same extent that Holland is. After the United

States and England, the Dutch probably have the biggest stake in Germany. As yet they have not even been invited to participate in any parley. Total Dutch financial interests in Germany are estimated at fully \$400 millions, spread through all classes of business and banking.

The Amsterdam Bankers' Association, though willing to cooperate with other foreign banks, is unable to arrive at any unanimous decision, and insists on individual freedom of the members. There is a strong feeling that Dutch interests are of a different character from the big creditor nations'. Because of the close business connections with Ger-

many it will be necessary to prolong certain credits, while for others this plan would be undesirable. Also, much will depend on the willingness of Germany to make certain tariff concessions on Dutch agriculture and industry which is suffering from radically increasing German protection. The prevailing tendency is to charge frozen German debts at interest corresponding to the ruling rates in Germany, which so far has been about 10%, but now is increased to 15%.

The general situation still is very uncertain. Banks are maintaining maximum liquidity, consequently money is fairly tight.

## Europe Sees Situation Clearing In Britain and Germany

**London bows to Paris; Berlin watches B.I.S. meeting, Reich import restrictions, Prussian plebiscite**

EUROPE sizes up the current economic position on the basis of 3 outstanding events plus the prospect of developments in 4 others. The resulting estimate is, on the whole, encouraging.

Outstanding events were in Germany and Britain. After more than 3 weeks, German banks reopened Wednesday without disorder, without a single run, and, strongest stimulant to lagging confidence, with deposits vastly exceeding withdrawals. Precautionary measures—police reserves, currency reserves, even a 15% discount rate—were necessary. Even the Danat Bank, which closed its doors the last day before the moratorium, and the Dresdner Bank, which also was taken over by the Reich to avoid the possibility of a run, have started business calmly. So reassuring were developments the first 2 days after the moratorium that the date for reopening savings banks was moved ahead from Aug. 10 to Aug. 8.

### 3 Import Classes

A second event in Germany is causing temporary confusion. It is the move by the government to help itself economically by putting all imports on a rigid restriction basis. It will supplement the existing foreign exchange control, will work along these lines:

All imports are divided into 3 categories. Manufactured products, and foods, will be practically embargoed for the time being. Semi-manufacturers will be closely scrutinized. If they are

necessary for further fabrication in Germany, foreign exchange will be allowed for their purchase. Otherwise, they run small chance of being admitted. Finally, raw materials, needed if Germany is to exploit exports (which is the crux of the plan), will be admitted freely.

### Small Business Increased

Rigidly to control foreign exchange and make the plan work, official approval must be obtained not only for the purchase, but also for the disposal, of foreign currency obtained in foreign trade. It matters considerably that business looks on the internal revenue officers who will be entrusted with these duties as highly unfit for the task. It matters, too, in the chances for ultimate success that not a small business element, especially in Bremen and Hamburg, blames agrarian interests for taking advantage of a new situation to exclude foreign food products to their great advantage.

The third event which has focussed European attention is the irregular situation in Britain following the grant of the Franco-American credit for \$250 millions. Developments throw light on heretofore uninterpreted reports coming out of London.

Preliminary negotiations for a £20-million credit had been carried on in Paris but were abruptly frustrated by the Snowden-Norman desire to try to resuscitate sterling without French aid



by the mere raising of the bank rate. The futility of this tourniquet method of staunching the gold efflux soon became evident, despite even the supplementary aid of the Bank of France, which by massive buying of sterling had kept the pound pegged at 123.90, which is 1 above the gold export point.

#### Request Refused Here

The Bank of England consequently turned to the Federal Reserve, requested a purely American non-conditional loan but met with blunt refusal because the bank already was holding a German bag. This move to get the United States to provide the needed funds, leaving France out of the picture, not only was inopportune, but shows the distinct lack of objectivity of the trend of British banking thought. Any such one-sided arrangement would have accentuated, rather than diminished, withdrawals of French balances in London. Any American loan, even for \$500 millions—provided this were possible—would have immediately side-stepped London and fallen blithely into gaping French coffers.

The Bank of England then was forced to raise the bank rate another 1%, which, at least in the opinion of continental bankers, was considered short-sighted, pig-headed resistance to the inevitable. Far from having any chance of ameliorating the situation this move could only be again interpreted by already fearful continental bankers as direct evidence of the dubious state of English monetary affairs.

#### London Capitulates

When events proved this view correct, England was forced to assume a more rational state of mind and a representative was returned to Paris with full authority to accept the French credit terms. At the same time, the Bank of England engaged the Federal Reserve to cooperate with the Bank of France. The total credit of \$250 millions is confined to rediscounting Bank of England acceptance bills, excluding German paper, and bearing the signature of the Bank of England. The French portion of this credit is divided into 2 equal parts. One-half of the bills are taken by the Bank of France, the others distributed among the leading lending banks.

#### Sterling's Ups and Downs

Monday being a British bank holiday, sterling recovered to 123.96, but the next day fell to 123.91, because the Bank of France, thinking she already had long enough done her share towards stabilization, began to sell recently accumulated stocks of sterling in quan-

ties just sufficient to maintain the pound above the export point. Wednesday, however, when the psychological aid afforded by the \$250-million credit had somewhat dimmed, sterling hit 123.40 without a struggle, but closed at 123.85.

The facts are these: England, acting under the illusion she still is the monetary center of the world refused to mobilize and throw into immediate action the newly received credit. This, in itself, is particularly incongruous but was motivated by unwillingness to see France inaugurate another European rediscount market, especially as, until now, all important French industrial bills have gone to London for rediscounting. Also Britain realizes that once France sets up the necessary machinery to do this highly profitable branch banking, she might find herself deposed.

#### Futures Quotations

The most significant event connected with the recent sterling fluctuations was the sudden appearance of the great disparity and widening in sterling futures. One-month futures are quoted at 15 to 18 centimes while 3-month futures stand at 38 to 41, compared with the usual 10 and 20 centime differences in quotations.

The outlook in Europe is still uncer-

tain. On the basis of this week's events prospects are brighter. Fear of collapse in Britain is definitely removed. Returning confidence in Germany is stirred. Future events which will profoundly affect the situation:

#### 4 Events Awaited

(1) Meeting of the special committee of the Bank for International Settlements (convened Aug. 8) to study German economy and consider relief measures. Europe, except France, anticipates early reduction or cancellation of reparations simultaneously with annulment of war debts; thinks this will be considered promptly at the B. I. S. meeting. A long-term German loan is unlikely until these questions are on the way to settlement.

(2) The Prussian plebiscite. If the radicals win, confidence in Germany is likely to evaporate. If they fail, confidence in the Bruening government will be vastly enhanced, strengthening its position considerably.

(3) Success of Germany's foreign trade control to build up a large export balance without too much confusion at home and without upsetting the Reich's foreign markets.

(4) Successful consummation of the Hungarian credit and stimulation to returning confidence throughout Central Europe.



The Business Week

"THAT'S PITTSFIELD!"—The 500 foot sign on the new General Electric plant leaves no doubt in an aviator's mind. The letters are 31 feet high and took 75 gallons of aluminum paint. In clear weather it is visible to flyers at 20,000 feet or nearly 5 miles





**WHEAT INTO MAN**—In Kansas, wheat from a moving combine was ground into flour, mixed into dough, baked into biscuits, and fed—hot and buttered—into hungry workers, all in the space of 12 minutes

International News

## Mail Order House Invades Chain Service Station Field

**Sears, Roebuck follows tire makers and oil companies into direct sale of gas; may convert "Class C" stores**

SEARS, ROEBUCK & CO., world's largest mail order house, has accepted the challenge of tire makers and oil companies, will meet them on their own ground, is building the first of what will probably be a series of super-service, one-stop gas-oil-tire-battery-accessories stations.

While selling of private-brand gasoline and oil from bulk tanks practically marks Sears' entry into a new field, the operating of open-air service stations is considered a logical procedure.

### Expansion of Program

The addition in 1925 of automobile tires to its line met instant response from Sears' mail order customers. With tires added, automotive accessories became so important a factor that, in planning the chain of retail stores launched in 1928, a special "Type C" store was developed, to handle these products. Ninety "C" stores are now in operation, chiefly in densely populated sections of eastern and central-western states.

In the same territory nationally operating oil companies have, within the last year, entered the tire business (*BW*—*Jul 30 '30 and Nov 12 '30*). These are obtaining a definite and steadily increasing volume and, in most cases, seem able to obtain higher prices for accessories than are quoted by the mail order house.

Sears is not altogether satisfied with the share of tire replacement business it is obtaining. The new oil station competition, Firestone's chain of super-service stations, the more effective merchandising practices of many manufacturers are considered to some extent responsible.

### To Boost Sales

Through the operation of up-to-date one-stop service stations the resulting direct and more intimate contact with buyers, the advantage of lower prices which Sears has generally offered, much additional volume is expected.

Furthermore, Sears evidently proposes to capitalize the advertising op-

portunities of its super-service stations, will maintain in connection with the first one a show and sales room for its home-construction department, exhibit certain home building, household and garden accessories.

Those familiar with the policy at present pursued by the company in its "C" stores believe that if the super-service station experiment proves successful, many "C" stores will be converted or upon expiration of present leases re-located as super-service stations. Similarly, service stations may be established on the customers' parking lots now maintained at the 46 Class A stores.

## Industry Approves Merger of 3 Linoleum Producers

THREE important makers of linoleum and hard floor coverings have merged, formed the Sloane-Blabon Corporation, to take over their resources, namely plants, patents etc. of W & J. Sloane Mfg. Co., Trenton, N. J., George W. Blabon & Co. Philadelphia, and the floor covering division of Certainteed Products Corporation.

The transaction brings together 3 producing units that in the past have been in competition only to a degree, because their leading lines were not identical, though they sold to many identical outlets. It creates the third important unit in the industry, the other two being Congoleum Nairn, Inc., and Armstrong Cork Co.

### Improve Competition

Other manufacturers, wholesalers and retailers welcome the merger as a definite step toward improving general conditions in the field. Production capacity has for some time been far in excess of actual needs. Uneconomical and profitless competition has kept some of the large manufacturers in red ink since 1927. Wholesalers and dealers have been forced to carry larger investments in merchandise than were warranted by available sales volume.

Consolidation of the 3 companies will make possible an economical realignment of products and production schedules. Sales expense will be kept at a minimum through a special arrangement by which W. & J. Sloane will handle the combined output.

Dealers have been assured that no patterns in the 3 lines will be dropped until after June 1932 when the new company will probably present a much improved, modernized, re-styled and perhaps more condensed line.



**A BREAKFAST FOR PAUL BUNYAN**—There are 10,000 eggs in this greatest of all omelets, the feature of the annual Egg and Poultry Festival in the Pacific Northwest. Of course, this would be just a snack for the legendary hero of the tall timber country

## Ice Industry Enjoys Best Year Despite Electric Refrigerators

ICE is having its best year in 1931.

For 12 years the ice industry, helped rather than hurt by wide advertising of electric refrigeration, has chalked up an average 6% annual tonnage gain. The 1930 total, 64,237,416 tons, about \$450 millions in value, was 5.34% above 1929. It looks now as if 1931 will be 6% above 1930, states Leslie C. Smith, secretary, National Association of Ice Industries. Paul R. Barboro, vice-president in charge of ice, Consumers Co., Chicago, believes that the unusually hot summer will run the year's gain up to 8 or 10%.

### 3 Reasons for Gain

To explain the steady gain of the industry, Mr. Smith cites 3 main reasons:

(1) Increase in consumption of fresh products, especially fruits and vegetables. Average increase in refrigerated carloads moved has been 6.5% per year for 12 years past. Car icing takes about 20% of all ice made.

(2) Education of public as to health and convenience value of constant re-

frigeration in the home. Half the 28 million homes in the country have no refrigeration of any sort. Those in the ice business state that every time 1,000 electric refrigerators are sold, more than 1,000 homes start using ice for the first time in old-fashioned refrigerators. Domestic refrigeration takes 44% of total ice tonnage.

(3) Development of new uses for ice. One that promises within a few years a tonnage volume comparable to car icing, as Mr. Smith sees it, is now developing—air conditioning, or "comfort cooling." This is the first year this new market has attained any commercial importance to the ice industry.

Air is washed, cooled and humidified in one operation by being blown through an ice-water spray. Apparatus is not expensive, a consideration of importance in view of the fact that in most places need for air-cooling is confined to 60 or fewer days a year.

Ice is not now used to cool large office buildings or the biggest theaters.

It does, however, have large potential markets in cooling of restaurants, medium and small-sized theaters, hospitals, shops, offices, and Pullman cars. Use to cool homes is largely in the future.

## Radio Advertising Headed For \$150 Millions in 1931

THERE is no slump in the broadcasting business this year. The country's 2 largest networks—the National Broadcasting Co., and the Columbia Broadcasting System—report record profits for the first 6 months of 1931. NBC income is up 33½%. CBS showed a 46.6% gain in revenue.

Total gross income from the sale of time by the 2 chains together amounted to \$17,399,720. This compares with \$12,689,650 during the first half of last year.

During the whole of 1930, the network organizations showed a combined gross income from the sale of time of \$26,667,391. With well over half that figure already earned, it is more than likely that the chain revenues will exceed \$35 millions for the whole of this year.

As a business, broadcasting has grown rapidly. In 1927, when NBC was pretty much alone in the field, network time brought the company \$3,760,010. In 1928, NBC and CBS netted a return of \$10,252,497. The 1929 returns jumped to \$18,729,571, a gain of 83%. And the total in 1930, \$26½ millions, was a gain of another 42%.

Profits are not confined to the 2 big chains. Radio authorities say independent stations are prospering, that their total returns nearly double those of the 2 big operators. If they earn as much as \$75 millions this year, it reveals that advertisers are spending substantially more than \$100 millions only for time "on the air." Another \$50 millions for talent is considered conservative, but it runs the radio advertising business up to \$150 millions for 1931.

## Electrical Leagues Get A New Lease of Life

THE tenth annual conference of Electrical Leagues, just closed at Association Island, N. Y. brought evidence of renewed interest in league activity, particularly among utility companies.

Leagues were originally organized in various cities to promote better local

cooperation between utilities, manufacturers, wholesalers and various types of retailers of electrical goods, and to provide a mechanism for systematic development of local markets. In recent years they have no more than marked time, in some places lost much ground.

Since Kansas and Oklahoma legislated the utilities out of the merchandising business, existing local leagues in those states report a revival. Utilities urge them to promote better selling by dealers; dealers are interested in local cooperation to make the most of their new opportunity. Lawrence and

Leavenworth have just formed leagues.

In Tennessee, Missouri, California, Illinois where agitation against utility merchandising is strong, but where laws proposed during the last legislative session were either defeated or tabled, support of league activities is growing. Illinois now has over 10, California has 1 headquarters organization with over 20 branches.

In other states, where legislative restraint is not immediately in prospect, many utilities are improving their public relations through supporting local leagues or similar organizations.

## Washing Machine Makers Turn To New Models, Low Prices

**Have had varied experiences in working their way out of the sales slump which began in 1930**

WASHING machine manufacturers have had varied experiences in trying to work out of the sales slump that struck their industry during 1930. A special survey by *The Business Week* shows that price-cutting and launching of low-priced models (*B.W.—Dec 31 '30*) has provided but little relief, no cure.

Selling and distributing washing machines involves certain indispensable functions and expenses, that are substantially the same regardless of the sales price. However, even with trade discounts undisturbed, lower list prices leave a correspondingly lower dollar-margin out of which must come payment for indispensable functions, overhead, profit.

The market for high-priced machines is now greatly reduced and probably will remain so until general conditions stimulate new and replacement buying in their price class.

### The Cost of Cutting

Low-priced machines have, in some instances, helped total sales, particularly in number of units, but have kept dollar volume proportionately low. With them a lower, often less reliable, less desirable stratum of buyers is tapped, which demands different, frequently more expensive handling, brings greater losses from stolen machines, substantially increases the number of "reverts" which must be reconditioned, re-sold.

Nevertheless, some manufacturers are vigorously pushing low-priced models listing at under \$80, regardless of

whether they are making a profit. Others, as well as many dealers and distributors, believe that not even a semblance of prosperity in the industry can be expected until prices for standard models have been stabilized at nearer the \$100 mark where makers and dealers can at least hope to make expenses, possibly a profit on their investment.

Disregarding the present status of the industry, important new competition is in the field or preparing to enter it. With its other appliances already dominant factors in the electrical appliance market, General Electric's new line of machines (*B.W.—Jan 14 '31*), now actually on sale, is expected immediately to command a definite share of available volume. This will also hold true with Westinghouse when the line just announced (*B.W.—June 24 '31*) is in production.

### Some New Entries

Grigsby-Grunow Co. announces that its subsidiary Majestic Household Utilities Corp., makers of Majestic refrigerators, will within a year offer an electric washing machine and other household appliances to widen its dealers' opportunity for sales. Fairbanks, Morse & Co., and a prominent motor car manufacturer, are also coming out with washing machines.

Meanwhile, old established manufacturers continue their battle for sales.

Voss Brothers Mfg. Co. with a new model selling at \$39 less than formerly, finds 1931 sales running 100% ahead of 1930 with the advertising budget increased only 25%. It has reduced capital investment and collection expenses, eliminated bad accounts by making all sales C.O.D., finds the plan no obstacle to sales.

Syracuse Washing Machine Corp. re-



*The Business Week*  
**NEW CAP, NEW BOTTLE**—The new aluminum cap, adopted by Beatrice Creamery, is stamped from a roll of foil at the dairy; it makes possible a smooth-lipped bottle which is tamper-proof, more sanitary



ports sales for the first 6 months 1931 just 25.5% ahead of 1930, believes that new models, greater efficiency, improved exteriors, more artistic finish and appearance help present-day sales, finds a higher price no obstacle to sales when advantages can be demonstrated.

#### Private Brand Sales

Altdorfer Bros. Co. has brought out a new all-porcelain machine to sell at \$129.50, reports many new distributors appointed, expects to profit greatly through large contracts recently closed with Westinghouse, Federal Electric, and Fairbanks, Morse for production of machines to be sold under private labels.

Hurley Machine Co. has brought out 2 new higher-priced washers, a deluxe model ironer, reports 1931 sales nearly equal those of 1930 but in larger proportion through jobbers, indicating that as washers become staples, a commodity rather than a specialty, sales may

be expected to flow through regularly established channels.

Other old-established makers of washing machines show less satisfactory results. One of the oldest and largest in existence, operating for years an intensive national sales campaign, reports 1931 sales 40% less than the total for 1930, nearly 60% under those of 1929 but expects substantial improvement because dealer stocks are low, public buying is being resumed.

Another old-line maker found 1931 sales 50% under those of 1930, has recently brought out 2 new, lower-priced models, is maintaining his scheduled advertising and sales effort and believes the last half 1931 will make up considerable of his loss.

A middle western manufacturer reports sales 58% under 1930, is now revamping his sales organization, hoping to cut down the loss.

uniform openings, etc. Withdrawal of the largest company in the field followed later in the year. Shortly thereafter the spinners withdrew. Total disintegration became a question of time, when, Dec. 31, 1930, A. D. Whiteside, president of the Institute, and one of the strongest coordinating influences in the industry resigned due to pressure of his duties as president of R. G. Dun.

#### Demise Is Deplored

Prominent men in the industry deplore complete discontinuance of the Institute, believe that a definite place exists for such organizations but insist that it would have to function strictly as a constructive force and without engaging in illegal or doubtful practices.

Others feel that the late Institute could never have commanded complete respect and cooperation of all the various groups of the industry, welcome its closing, hope that when the time seems ripe a new and different type of industry organization will be created, cite the Cotton Institute as an example of what might be accomplished.

National Plumbing & Heating Institute, Inc. was concerned only with distributive and sales functions of industry. It had addressed itself particularly to the task of creating better marketing conditions, promoting fair trade practices as a cure for the ills of the industry.

#### Developed Code

Through its efforts, leading factors in the industry cooperated with the Federal Trade Commission in developing a code of fair trade practices which was intended to serve as the basis for promoting better conditions in specific territories through local organizations or special committees.

Before the work was well under way, progress became difficult, was halted due to depressed business conditions. Without immediate benefits in sight, industry

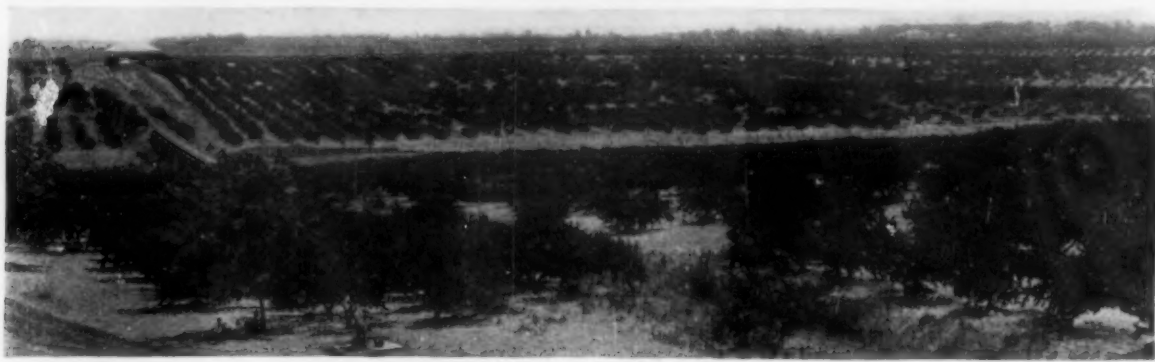
## Wool and Plumbing Institutes Fail Through Lack of Support

THE recent passing out of existence of Wool Institute, Inc. (New York) and National Plumbing and Heating Institute, Inc. (Chicago) marks the end of 2 vastly different types of cooperative effort under somewhat similar conditions.

While each was well conceived as a constructive force in its special field, both have carried on under great difficulty, both have suffered from prevailing economic conditions, both emphasize in their respective obituary notices that lack of moral support from the industry hastened their demise, both found a Federal agency contributing to their downfall.

Wool Institute, Inc., was formed January, 1928, to coordinate the activities of various groups and branches of the industry. Ten months later it represented 43,000 looms, over 50% of the total. Through it, standard methods of inventory control and cost accounting were adopted by 90% of the woolen and worsted goods mills. It gained such strength and prestige through 1929 that 2 important associations in the industry disbanded and their members joined the Institute.

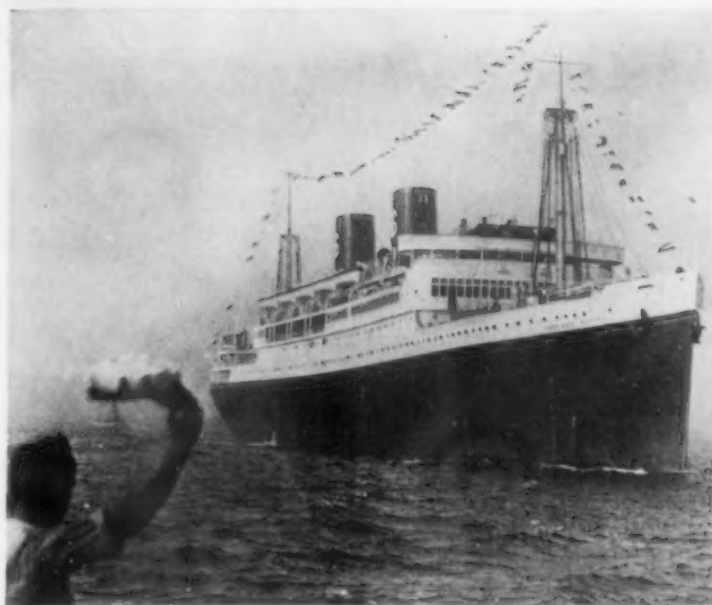
The first serious set-back was encountered when early in 1930 the Federal Court enjoined the Institute from activities directed toward price maintenance,



The Business Week

ARKANSAS GROWS PEACHES, TOO—Known for its cotton, Arkansas is turning to fruit; this year, about 4,000 cars will be shipped, in contrast to 41 last year. The Highland orchards, near Nashville, are said to be the world's largest





**MAIDEN VOYAGE**—Riding high and handsome, the newest Dollar liner, "President Hoover," comes into New York harbor to begin her first trip westward around the world

support was withdrawn. The Federal Trade Commission's action in changing trade practice rules of other industries (BW—Apr 13 '31 and Jun 8 '31) and its later notice of re-consideration of this industry's code served as the final blow.

In its valedictory bulletin, the Insti-

tute cites 3 major causes for its failure: (1) lack of willingness to support long-term cooperative effort, (2) failure of the Federal Trade Commission to render assistance, (3) depression.

Existing trade organizations in the industry are urged to carry on the work.

## Cut in Rates May Presage New Trend in Ocean Travel

THE domestic travel business—transport systems, hotels, concessionaires, gift shoppes—is faced with fresh competition. The new North Atlantic passenger rates have been announced, and they are temptingly low. First class rates for the winter season will range from \$155 to \$260. For the summer season, defined as June 1 to July 15 to Europe and Aug. 15 to Oct. 1 from Europe, the rate is slightly higher—\$172.50 to \$287.50. Third class rates range from \$73 to \$83 one way; \$131 to \$150 for a round trip.

Since the new low rates become effective Aug. 17, they are attracting the interest of late summer vacationists. The 36 ships on which the new rates are effective are some of the fastest and most luxurious. Weekend cruises this year on boats of the United States, White Star, Cunard, French Line, Swed-

ish-American and other transatlantic lines have created a certain "sea consciousness," especially among East Coast vacationists. The first 2 of the *Belgenland's* 5 Halifax cruises attracted nearly 700 passengers each. The French Line's triangle cruises have a particular flavor of foreign travel with one stop at a southern, and one at a northern port. A vacation trip to Europe, if passengers don't care to spend any time there, need cost little more than the \$131 for fare. Or if one prefers to travel on the deluxe liners, and first class, there is a reduction on the *Europa*, for example, of \$42.50 on the one-way fare.

Casual observers look at the new development merely as a natural outgrowth of the depression. Transatlantic travel is a highly seasonal affair, the bulk of the 300,000 tourists who have gone abroad in the last few years having

made the voyage between May 1 and Oct. 1. Turn-arounds on both sides are then made in a minimum of time and cabins are well filled.

This year's bookings on the big liners with a capacity of more than 2,000 passengers have, in several lines, averaged barely 700. Reduced rates and weekend cruises have been organized to swell the earnings, or, as some shippers pessimistically put it, "to decrease the losses" and avoid tying up the liners.

### 4 Super-Liners Coming

Other observers see a new trend in ocean travel. Four new super-liners are under construction now in Europe for the Atlantic service. Two are Italian, 1 is French, and 1 is British. Passenger capacity on each will exceed 2,200. In the case of the mysterious Cunarder, it is officially reported it will carry "5,000 passengers and crew." All of these new liners will be in the speed class, probably will equal, if not exceed, the record held by the *Europa* of the North German Lloyd line.

Just as the *Bremen* and the *Europa* have captured the lion's share of the transatlantic travel this year, so the new liners are likely to attract a large volume of the traffic which heretofore has travelled on the many comfortable, but ageing, ships now in service. Reduced rates on these older boats, plus special cruise attractions, may create a larger "boat-traveling" public, help owners graduate depreciation on old tonnage. Voyagers, except those "chronically confined to their cabins," usually swear by boat travel as a means of getting a real rest. The steamship companies are beginning to capitalize this feature, may eventually find in it a means to profit, and not merely a way of staving off a loss.

### California Will Uproot Its 1931 Peach Surplus

PEACH growers and canners of California are planning to purge their industry of some 80,000 tons of permanent surplus. They proposed to yank out 12,000 acres of trees by the roots. This means something over 800,000 trees.

This is the second successive year with a surplus crop. Last year the canners devised a plan whereby all No. 1 peaches were paid for at \$20 a ton delivered at the canning factories, or \$13 a ton if they were left on the trees. (BW—Aug 6 '30) The plan stabilized prices and kept the pack of peaches down to around 12,000,000

cases. However, it meant that canners paid an average of \$28.50 a ton for all peaches actually packed.

This year the crop is practically as big as it was last and the canners are holding a 4 million-case carry-over. Since 13 million cases is all that can normally be expected to sell, this means that if the price of canned peaches is to be stabilized this year only 9,000,000 cases should be packed. Consequently, when the 1930 plan was proposed for 1931, it found small favor.

Francis E. Laney, president of the 11-year-old and highly successful Sutter Cooperative Growers, then proposed that a portion of the \$1½-million stabilization fund be used as a bonus to those growers who would pull out trees. As finally worked out and adopted by the Cling Peach Control Committee, made up of canners, growers and bankers, and a member of the State Board of Agriculture, the plan operates as follows:

#### **Pay \$20 a Ton**

The grower is paid \$20 a ton for No. 1 fruit. Out of that \$20 about \$5.50 is set aside for control operations, making a control fund of about \$1½ millions if the pack is 9 million cases.

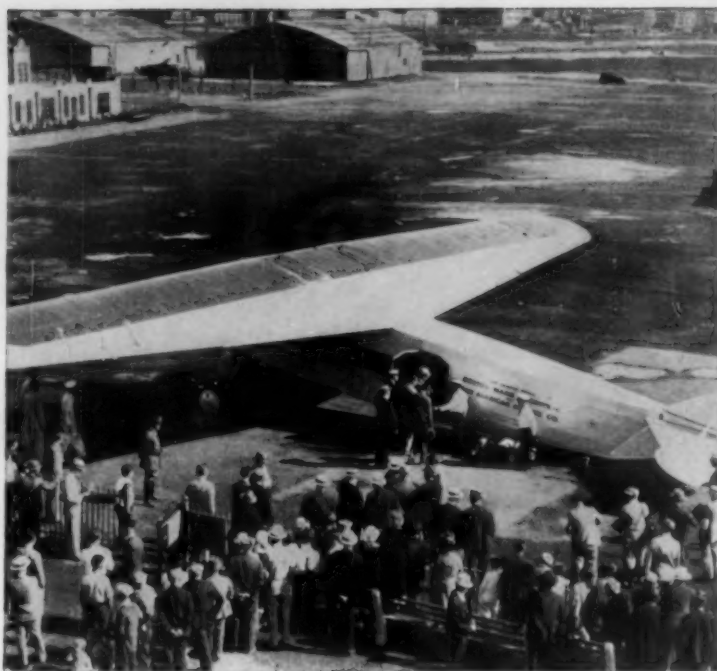
Out of the \$1,500,000, \$2.50 a ton is paid to owners who uproot unprofitable "marginal" orchards. It costs about \$12.50 an acre to clear the land, pull up and burn the stumps, and the \$2.50 per ton pays the cost.

Also, out of the \$1,500,000 the entire surplus for the 1931 season, which was larger than usual because of the big carryover from last year in canned fruits, is purchased on the trees at a minimum of \$5.00 per ton. The grower who is uprooting trees gets the same \$5.00, too, making his total compensation at least \$7.50 a ton.

### **Compensation Insurance Rates Raised Again**

THE 15% average increase in workmen's compensation insurance rates in New York state announced this week is the first step to meet the present emergency in that field. (BW-Jul 8 '31.) The new rates will be effective Sept. 1, and follow a 10% average increase made effective the first of this year. Similar increases in other states are expected.

The rise consists of a 6.7% increase to cover indemnity and medical losses experienced in 1929, 3.6% to provide for steadily mounting medical losses and 4.7% emergency allowance for the anticipated deficiency in premium income.



Wide World

**ANOTHER AIR LINE**—The first plane of the new Boston to Bangor service takes passengers and mail at the East Boston airport. An extension of the line goes to Halifax

### **Savings Banks Rates Not Much Reduced**

SAVINGS banks reduced the rates they pay depositors very little during the first half of the year, in the average, though there were scattered reductions of considerable size. The National Association of Mutual Savings Banks has just completed a survey showing that the member institutions—which cover 17 states—were paying an average of 4.49% July 1, compared with 4.59% the first of the year, and 4.60% July 1, 1930. Since July 1 some additional cuts have been made, but probably not enough to reduce the average to any great extent.

On July 1, 223 banks were paying 4½%; 172, 4%; and 164, 5%. A few pay as little as 3%, a few as much as 6%. Connecticut mutual savings banks average the highest rate, 4.96%, with Massachusetts second at 4.75%. New York banks are ninth at 4.24%, Pennsylvania twelfth at 4.02% and California eighth at 4.25%.

The average size saving account July 1 was \$753.56, an increase of \$12.71 from the first of the year. Average deposits in mutual savings banks were much the highest in California, with New York standing second. The list of largest savings banks shows 9 of

the first 10 to be in New York City, led by Henry Bruere's Bowery Savings.

### **Disability Clause Proves Onus to Insurance Firms**

INSURANCE companies still are having trouble with disability provisions in their policies. Total disability claims in 1930 were 50% above 1929 and double indemnity claims were 24% higher. The life companies are trying to find some method of changing their policies. Companies writing accident and health insurance also are wary.

Losses in 1929 resulted in the National Convention of Insurance Commissioners adopting new standard disability clauses, which were put into effect in July 1930. (BW—Apr 9 '30) This resulted in higher rates for this insurance and greater limitations in payments, but failed to solve the problem.

Some experts believe the only solution is the entire elimination of the clause, while others favor extensive restriction of benefits. A survey by the American Life Convention of its members shows 86 of 111 favor entire elimination from life contracts. Many others favor a reduction of benefits from \$10 to \$5 per thousand of life insurance.

# Missouri Forces the Issue Of State Rights Over Gas Rates

**Order served on Cities Service Pipe Line Co. is  
first move in test case of national importance**

ANOTHER step in the effort to bring gas pipe lines under public control in the Middle West took place in Missouri last week when the Public Service Commission ordered the Cities Service Gas Co., a Doherty unit, to file its industrial rate with the commission and to submit to the provisions of the Public Service laws.

The order is the result of a test case initiated by the Commission last March to determine if it had jurisdiction over gas lines which, the companies claim, are engaged in inter-state commerce and so are not subject to state regulation.

## **Claims Jurisdiction**

After investigation of the company's activities the commission has held that sales direct to large industrial consumers within the state, or to such customers through subsidiary distributing companies acting as agents, clearly consti-

tutes intra-state business and comes within commission jurisdiction.

Because of the importance of the case it will be carried to the courts as was a similar attempt to regulate gas lines in Kansas (*BW*—Jul 22 '31). Anticipating such action, the commission has raised issues which are designed to obtain a final ruling on commission power over gas pipe lines. If supported by the courts, it will extend its control over all other pipe lines, will determine the reasonableness of prices now charged by pipe lines to local distributing subsidiaries on which, under present regulatory methods, retail gas rates must be fixed.

From its investigation the commission reports that 2 companies are making unregulated sales of natural gas to industrial consumers in the St. Louis territory at prices as low as 13¢ per 1,000 cu.ft. The rate charged distributing com-

panies which, in turn, supply domestic and small industrial customers, is almost universally 40¢ per 1,000 cu.ft. At this rate Cities Service Pipe Line Co. sold in Kansas City during 1930 about 7 billion cu.ft. of gas to domestic consumers. During the same period it sold over 8 billion cu.ft. to industrial users at an average rate of 14.2¢ per 1,000 cu.ft., not including the 3½¢ carrying charge levied for the distributing company.

The specific order of the commission directs Cities Service Gas Co. to file rates for industrial users for its own operations and for those of Kansas City Gas Co., St. Joseph Gas Co., Webb City and Carterville Gas Co., Joplin Gas Co., Carthage Gas Co. All of these companies are subsidiaries of Cities Service Gas, controlled by Cities Service Co., in turn, managed by Henry L. Doherty & Co.

## **Agency the Charge**

The commission asserts that the managements of the pipe line company, of the distributing companies and of the holding companies are interlocking, listed 7 individuals who are officers or directors of nearly all the companies, states that, in most cases, this group forms a majority of the board of directors. From this evidence it adduces that distributing companies act only as agents for the pipe line company in industrial sales, that sales are made by the pipe line company, that the distributor has no interest except a carrying charge or commission for the use of its local mains. If this point can be established in court the pipe line company will be shown to be engaged in intra-state business and will be brought under commission control.

## **Kansas Would Control All Holding Companies**

THE next phase in the battle of Kansas against Cities Service will develop when Attorney General Roland Boynton brings proceedings to test the power of blue sky commissioner Carl Newcomer to regulate the sale of all utility holding company securities.

An injunction issued by the Shawnee County district court forbade him interfering with the sale of Cities Service stock. The court ruled that the law under which Newcomer acted was unconstitutional in granting the commission too wide powers.

Boynton argues that another section of the securities act provides expressly that all utility holding company stocks shall be under blue sky department



*International News*  
"RIGHT OVER THERE"—Rufus C. Dawes (left) and Samuel Insull superintend the ground breaking for the electrical group of the Century of Progress Exposition in Chicago



supervision. The district court did not pass on this point, left the way clear for a test before the state supreme court where Boynton is taking the case.

Under the Kansas act, utility corporations under the jurisdiction of a state public service commission or similar regulatory body are specifically exempt from provisions of the blue sky act. The argument is over holding companies.

As a side issue to this case all other gas and electric utilities in Kansas except Cities Service units, have filed or have promised to file by Sept. 1, new

rate schedules which will bring reductions of 10% to 15% to consumers. North American Power & Light Co. group has reduced electric rates in 219 Kansas towns; and gas rates in 52; the Nathan L. Jones group has cut electric rates in 42 towns, gas rates in 9; the Argus Pipe Line Co., serving a dozen small towns in southwest Kansas, cut its rates by reducing the minimum monthly bill from \$1.50 to \$1. The Kansas Gas & Electric Co., (Electric Bond & Share unit) has notified the public Service Commission of its intention to file new lower rates this month.

as a whole is perhaps 65% to 70% modern. Recognition of this by the industry accounts in large measure for this year's unusual record by companies making steel mill machinery.

Revision of third quarter bar, shape and plate prices to a basis of \$1.60 Pittsburgh against \$1.65 previously is merely open acknowledgment of the fact that tonnage users have consistently had the lower price. In sheet steel the new price structure which calls for an increase of \$5 dollars a ton in common black grades probably will not be tested until late in August but is believed to have a better chance of success than seemed possible a month ago.

With all steel companies scrambling for tonnage to keep plants operating and to hold their organizations together during this lean period when ingot output is hovering around 30%, maintenance of prices at current levels is considered a remarkable tribute to the levelheadedness of steel executives.

## Hopeful of Price Stability, Steel Talks Modernization

THE steel industry believes that the action of U. S. Steel in reducing salaries will aid substantially in stabilizing prices. For some months the industry has been in a state of confusion with companies anxiously watching each other's activities. Some companies have effected economies by reducing salaries; others have stayed with their higher costs. It is thought that companies which had already reduced salaries temporarily will now make their reduction permanent, figure costs on the new basis.

Steel companies are recognizing more than ever that if they wish to keep production costs down they must modernize their plant equipment. National Steel's remarkable showing of \$1.60 a share for the first half with dividend requirements of only \$1—the best record in the industry—is explained not only by the proximity of its more recently constructed plants to markets but by low costs due to mechanization.

If National Steel is put at 90% modern in plant equipment the industry

### Steel Caught Out On Detroit Base

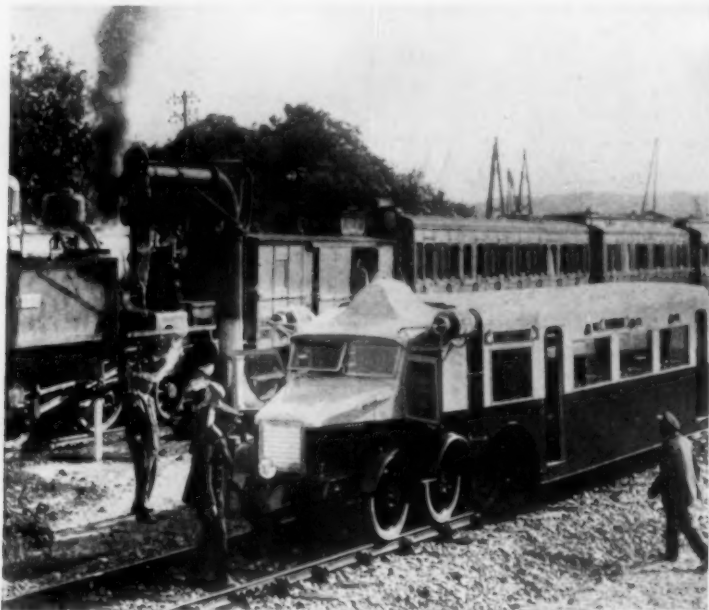
JUST as abruptly as it was established a few weeks ago, the Detroit base on steel bars has been withdrawn by Carnegie and other leading steel makers and the Pittsburgh base for quoting the automobile industry restored.

It is now believed that the decision to make Detroit a basing point was arrived at without due regard for the complications involved. These included the setting up of inequalities in prices paid for steel by automobile makers in Detroit and in other Southern Michigan manufacturing centers such as Lansing, Flint and Jackson, inasmuch as the Detroit base applied only for Detroit delivery. Heretofore, all users in the Detroit district have had approximately the same delivered price.

Abandonment of a Detroit base is especially gratifying to makers of strip steel and sheets who envisioned a Detroit base for their products with consequent losses of revenue running into millions.

### Planned Home Financing

NATIONAL Homes Finance Corp., most recent development in the small home financing field (BW—Jul 29 '31) was planned and organized by Associated Leaders of Lumber and Fuel Dealers of America, the president of which, Arthur A. Wood, and Emory J. Lee actually developed the plan.



*International News*

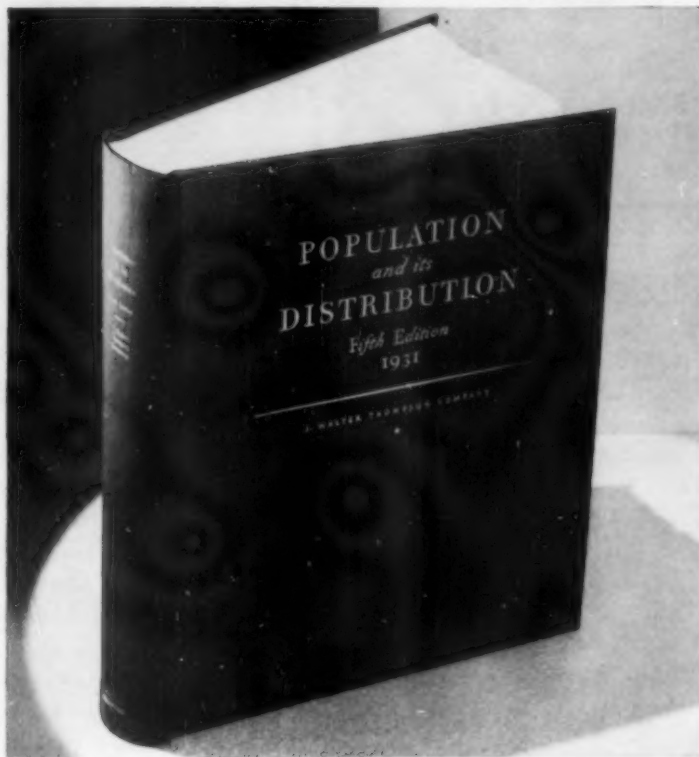
**AUTOBUS ON RAILS**—The French solution of the branch line problem is this light car developed by Michelin. It has flanged pneumatic tires with wood cores to prevent derailments in case of blow-outs



# Where they Live

*What they earn . . . Where they shop*

Information vital to your sales program ready in the new edition of "*Population and its Distribution*"



640 pages • size 8½ by 11 inches • 90 pages of maps • bound in maroon cloth over board

A NEW EDITION of "*Population and its Distribution*," the widely known analysis of population from the standpoint of sales problems, is now off the press with figures from the 1930 census, the latest analyses of income tax returns, and new information on retail shopping areas.

To the sales or advertising executive, this volume is indispensable for time-saving and effective planning. The tabulations here exclusively presented throw new light on every phase of the 1930 census population figures. The information on retail shopping areas represents original research, and is not to be found elsewhere.

Where they live—what they earn

—where they shop—only with this knowledge can the present need of economy in sales effort be met.

"*Population and its Distribution*," 5th Edition, has been published for the authors—J. Walter Thompson Company—by Harper & Brothers and is obtainable direct from J. Walter Thompson Company, 420 Lexington Avenue, New York. The price is \$10. The book may be returned within 5 days, and your money will be refunded. The coupon is for your convenience.

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## *In this book are . . .*

1 For each state, the number of people—families—individual Federal income tax returns—farms—home telephones—residential lighting customers—passenger automobiles costing under \$1000 and automobiles costing over \$1000.

2 Complete list of counties in the United States, showing population, number of individual Federal income tax returns, number of people in each county per tax return, automobiles costing under \$1000, and automobiles costing over \$1000.

3 State lists (with maps) showing 681 well-defined retail shopping areas—with the center and sub-centers of each—the population of the areas—the population of the centers—the number of individual Federal income tax returns for each—the number of people per tax return—and the number of leading department stores.

4 A table grouping these 681 retail shopping areas, according to the size of the retail shopping centers to which they are tributary. (A glance at this table shows, for example, that there are 13 areas tributary to centers of more than 500,000 population, and that these areas account for 28% of the total population of the country. On the other hand, there are 438 areas tributary to centers of less than 25,000 population—these areas containing 22.7% of the total population.)

5 A table giving the number of cities and towns in various size groups, and the number of people in each group—with the relation of each size group to total population of the country. (This table shows, for instance, that the 5 cities of 1,000,000 or over have a combined population of 15,064,555 which is 12.3% of the total population of the country; while the 1,332 towns between 2,500 and 5,000 in size have a combined population of 4,717,590, which is only 3.8% of the total population of the country.)

6 Population and group totals for 11 size groups of cities and towns, in every state. (For instance, if you should decide to cover all cities of 25,000 or more in certain states, your lists are here ready.)

J. Walter Thompson Company, Department A  
420 Lexington Avenue, New York, New York

Please send me \_\_\_\_\_ copies of "*Population and its Distribution*," 5th Edition at \$10 per copy. I am privileged to return the book within 5 days, and my money will be refunded.

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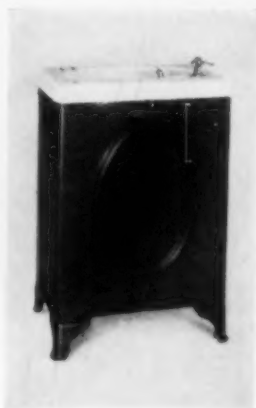
# FRIGIDAIRE ANNOUNCES

## AN IMPORTANT ADVANCE IN WATER COOLING EQUIPMENT

Frigidaire, out of many years' experience, has perfected a water cooler of a new and revolutionary type . . . one that offers many radical departures from commonly accepted coolers. ● And now this new cooler is ready! It is on display in Frigidaire showrooms everywhere. See it. You will find that everything about it is refreshingly new—that it offers many unusual features which place it far in advance of its field. ● Its lines are smooth and flowing—the last word in modern design. Its finish is a special harmonizing color that actually seems to change with its surroundings—so well does it blend with other colors. ● And many remarkable conveniences are built into this new Frigidaire Water Cooler!

● It is so compact that it can be placed anywhere—wherever it will save the most time, the most steps, and accommodate the

★ ★ ★  
A new Frigidaire Pressure-Type Water Cooler for use in offices, stores, factories, etc.—wherever large capacities are required. Cools from 6 to 12 gallons of water per hour. Where unusually large capacities are required, Frigidaire Tank Type Coolers are available.



★  
★  
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greatest number of people. It can be connected at any convenient electrical outlet. It has the extra power that assures a plentiful supply of properly cooled water always in reserve. It is equipped with a faucet of unusual design—a faucet so responsive to the lightest touch that a cup of cool, fresh water can be drawn with one hand. ● And the new Frigidaire Water Cooler is as sanitary as it is convenient. It is completely sealed against insects and dust. The cooling coil is self-cleansing. And the silver-plated reservoir and all other parts touched by water are smooth, rust-proof and easy to clean. ● But no description can do this new cooler

justice. You must see it for yourself. Why not stop at the nearest display room and ask for a complete demonstration? Frigidaire Corporation, Subsidiary of General Motors Corporation, Dayton, Ohio.

★ ★ ★  
Frigidaire Water Coolers may be had in models for cooling bottled water or city water . . . furnished with bubblers, faucets or glass-filters to meet the needs of each individual installation. And some models have a special refrigerated compartment for sandwiches and beverages . . . a compartment with a tamper-proof lock fitted right into the door handle.

**FRIGIDAIRE**  
**WATER COOLERS**  
EQUIPPED WITH A REFRIGERATING UNIT  
THAT CARRIES A THREE YEAR GUARANTEE

# Big Steel and Beth Steel Do the Same Thing—Differently

**Both cut dividends and discuss wages,  
but almost as if in two languages**

LAST week, U. S. Steel and Bethlehem did the same thing at their quarterly meetings. Both cut dividends and talked wages. But there was a difference in their way of doing the same thing.

Myron C. Taylor, Chairman of his Finance Committee and presiding board chairman in the absence abroad of Mr. Morgan, dictated to his stenographer for reproduction upon the fleeting flimsies that disrespectful news gatherers call "hand-outs," the following safe, sound, wise, judicial dictum: "The Board of Directors also recommended that an adjustment of salaries of all officers and other salaried employees be made in varying percentages, depending upon the character of service rendered."

## No Predictions at No. 25

Down the street a little piece, at 25 instead of at 71 Broadway, President E. G. Grace unbuttoned his waistcoat, blew his inquisitive nose a mighty blast, cursed his summer tonsillitis, and replied to the dean of Wall Street reporters, an aged and failing gentleman of 46: "No, Bill, I won't say a word about wages. What do I predict? I predict no more. Let us all predict no more. What do I anticipate? I am awfully tired of anticipating. Let us, all of us, you newspaper boys and us steel boys, let us all quit anticipating right here and now. There's nothing in it. Let us rather adjourn this meeting and go uptown to the Cathedral and pray. It may do some good." Then onward: "What's your question, Sam?"

## No Interviews at No. 71

After Big Steel's meeting Chairman Taylor had somebody decline interviews for him. President Farrell said, "How do you do, gentlemen," as the thunder died down from a lightning bolt that struck up along the Sixth Avenue elevated just as his vast, stern figure hove through the pack of news hounds. Comptroller Filbert, No. 3 man of the triumvirate of Steel management, grinned and piped, "Hello, boys. Can I get through here?" as he bundled off down the hall bearing his double arm-full of statistics.

There were 37 reporters, 2 editors, 1 box of Belinda perfectos, and 2 telephones held open for more than an hour. The green carpet that Judge Gary chose was not burned and no cigarette butts were hurled upon the roof of Trinity Church. Hats were off, talk was subdued. It was almost a perfect English afternoon, all but the tea. Lamont smiled and waved approvingly. The new Baker stalked by just a little less austere than usual. No director growled or frowned. There was only one detective in attendance and he wore his glasses. Nobody laughed. It was sort of like a savings bank meeting in general atmosphere and tempo.

## A Younger Crowd

Schwab and Grace have offices in a Twentieth Century Building. Halls are vast and long and slippery, desks are steel, lights are invisibly bright; attendants are young, colored, and split with smiles. They remembered and "mistered" 60 reporters, cracked excellent jokes, and laughed at everybody's

kidding with all their collections of spectacular teeth.

The crowd around the frontier desk guarding the elevator post was a milling, smoking, noisy, gay gang. The men were younger than Big Steel's congregation. All the apprentices had been allowed to come along. The waving of a paper flag by the sentinel outside the president's office was answered by a cheer and followed by a wild run and scramble down the marble fairway, with young bodies banging into the wall as the boys slid the sprint finish on the flat of their soles. Mr. Grace's own licked thumb handed out the printed earnings report. The cigars were Coronas and fresh. At Bethlehem everybody smokes, at Big Steel, nobody.

## Straight From the Desk

President Grace has no comptroller who carries off the papers. They were all on his desk and it was straight out of them that he answered the questions, which were hard ones, for the real steel writers from the vernacular press of finance and industry were showing off their stuff to the uptown reporting amateurs.

"The figure is so small that if it weren't a good sign I'd be ashamed of it," replied Mr. Grace to a technical query. "What is the figure?" shouted a ticker service foreman from his knot of messenger runners who relayed to the telephone in a secretary's office. "Twenty cents," boomed Grace. "See it? There



GRACE BEFORE MEETING—Eugene G. Grace (left) militant minister, of steel, and Charles M. Schwab, Bethlehem's bishop. Said Grace to the reporters, "Let us predict no more; let us go to the Cathedral; let us pray."



The Business Week

**WATER WHEEL**—The great blades of this 21,000 horsepower producer are moveable, first in this country to follow the European practice which permits adjustment to the head of water. It is one of many at the Rock Island power plant, first major development of the Columbia River, being built by Stone & Webster for the Puget Sound Light and Power Co.

it is. And a mighty good showing it is, too." And so on for an hour.

The only untoward incident was precipitated by an apprentice who did not realize what he was asking. His question meant how much salary is Mr. Grace now drawing, since there is no longer any bonus basis on a deficit. The other newsmen boomed, but Grace saved the youth's blushing face by tipping him to go the rounds in the steel business, asking salaries of presidents and such. "When they tell you, I'll match."

#### Like a Hat—Not a High One

Big Steel's board and its included finance committee are as completely and neatly separated from the steel business itself as a man is from his hat. True, the hat is on top of the man and it fits him, but it can come off and be put away, and it is hard to pull anything out of its secretive and darkened interior. It is not a particularly high hat, but it is reasonably deep and it is lined with thick silence. That is why, last week, interviewers had trouble finding out what a financial institution, which is the Steel board, was going to do about a business with its

prices and wages and all the mighty facts. Nobody could be quoted. But anybody would tell a trusted newsmen what was what. There was about it only the anonymous mystery of the hat. Necessary, but vexing to news gatherers, before whom Bethlehem is hatless.

#### What They Found Out

This is what interviewers found out:

1. Big Steel must have an open mind about wages because having a doctrine about them would be a betrayal of a sacred trust to stockholders, to the nation, and in the end to the workers themselves. The economic club which is the board, sitting in the sociological classroom that is the directors' room, must apply its conspicuous ability, integrity, and humanity for the deeply considered common good in the long run, rather than for the bolstering of any principle about wages, whether high, medium, or low. Traditional considerations of business prudence must prevail over doctrine, no matter what the doctrine may be.

2. The present distress in steel is only a part of the general malaise of a mankind that does not yet know how

to restrain itself from producing too much, that starves in the midst of plenty, that flounders and blunders in the historic manner. Size does not immunize. Folly is as foolish at 71 Broadway as in the farthest village of the plain. No man can foresee because no man did foresee. Management can only hope to be careful, and good, and serious. Omnipotent it cannot be, about wages or anything else.

#### Management, Not Statesmanship

3. The Steel Corporation has brains, is brains. It has more of them and better ones, more knowledge, sounder knowledge, more experience, a solidier conscience, a stauncher virtue than the community that is its proprietor and whom it faithfully serves. It aspires not only to know more than can any other agency, governmental or private, but to be guided by sounder and higher values than can be practically applied in any other sort of organization, fettered or wild. Chairman Taylor's green blotter at the end of the directors' table which is reserved for his private office is a clearing house for a little universe. He presides just as neutrally when he is alone as he does when the table is elbow crowded with bankers. Statesmanship is not one of the indulgences of his office. He manages.

4. President Hoover's leadership against wage reductions is necessarily, justly, dutifully, admirably political, therefore of no business import. Steel boardmen must fulfill their equally solemn duty to a smaller world. They must not be partisans nor doctrinaires. They must guess what is wise and do it then, but they must not try to determine in advance what will be wise another day.

#### No Foreign Entanglements

5. No attention at all should be granted the international situation in determining specific policy. American steel is in America and in the long run it has got to get its profits here. Our competition with Europe is sporadic, ephemeral, accidental. We cannot yet compete with Europe in poverty. Furthermore, we don't want to, we refuse to, and that is what America is about.

6. The learned press has altogether too many fixed convictions. Men of management in the grand style must carefully prevent themselves from slipping into this failing. Nobody knows causes. Perhaps they are astronomical, or seismic, or biological, like the big 'flu. The only serious thing to do is to act well on the instant, as the event changes. Big Steel is equipped



# IS THERE AN ARCTIC CIRCLE in your plant?



Let Venturafin Unit Heaters correct your heating troubles . . . force heated air WHERE you want it . . . WHEN you want it . . . and AS MUCH AS you want . . .



Venturafin Unit Heaters are made for high, medium or low steam pressure applications. They can be easily and quickly suspended from wall or ceiling with ordinary  $\frac{1}{2}$ -inch hanger pipes. Heat control can also be made automatic by the application of a Mercoid Thermostat.



Venturafin Units are equipped with a 3-speed control switch, enabling heat to be forced at low, medium, or high speeds.

HOW much of their time will workmen spend warming their hands this winter? How much *working* time will be wasted by men who are too cold and uncomfortable to stick to their tasks? This is a vital question because it means dollars and cents to you. This is a problem . . . which if it exists in *your plant* . . . deserves attention and decision right now, *before* another heating season begins.

Venturafin Unit Heaters have proved their fitness for properly and economically heating factories, warehouses, shops, garages, stores, in fact buildings of all types and sizes. They are made in a number of sizes, one of which will exactly meet your requirements. They can be easily and quickly installed in out-of-the-way places singly or in groups, to supplement or replace your present heating equipment. They force heated air *downward* directly into working areas.

If your heating equipment has proved inefficient . . . is spotted with leaky pipes and valves . . . leaves hot spots and cold spots throughout working areas . . . we suggest you call your plumbing or heating contractor at once. He will gladly make a heating survey and suggest improvements. The installation of one or more Venturafin Unit Heaters will *permanently* correct heating deficiencies in hard-to-heat places. Don't delay. Phone him today, or call the nearest American Blower Branch Office.

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CANADIAN SIROCCO COMPANY, LIMITED, WINDSOR, ONT.  
BRANCH OFFICES IN ALL PRINCIPAL CITIES

(1167)

HEAT WITH UNIT HEATERS



to do this by its age, education, discipline, honor, sense of responsibility. Any man there who tries axe grinding, if any wants to, will be knocked down. So let Big Steel alone, and it will do for the best.

Now the Bethlehem situation, especially about wages, is an altogether different story because Bethlehem is an altogether different personality. Grace told its story, the whole story, to reporters the other day.

#### Men Must Eat

Because Bethlehem has no doctrines, or other mental baggage whatsoever, not even the doctrine of not having any doctrines, its attitude is extremely simple. It has too many people to feed, men and women, and it doesn't like not feeding them because it is a good fellow, like Charley Schwab. So Grace is splitting up the work so evenly that everybody may eat. He has a lot of workmen on a one-day-a-week schedule. This isn't practical at all but it feeds men. Clerks, stenographers, bookkeepers are doing three days on and three off. So is this messy management, but people have got to eat and there is no other place to eat where Bethlehem works.

#### Complicated—of Course

The famous bonus system can't be kept watered on red ink. Straight salaries have had to be upped. It is a terribly complicated affair. But Grace and Schwab take it as quite a matter of course. It has to be gone through with because people are more important than the business. We can't turn a race of overproducers and overconsumers into a breed of hoarders and future-providers overnight. We have had a grand spell of health in steel and now we have got to look after the gang until this epidemic blows over and everybody is out of bed again. And that is all there is to it.

If there were a cultural quiz for business men the board of Big Steel would surpass the directorate of Betsy Steel by more than a margin. An intelligence quiz might yield an even break, though, for there are keen men there, even if no big bankers.

#### Human Crowd

This board is not a financial institution nor a club of trustees. It is a human sort of a crowd in the steel business. It is altogether a Twentieth Century show, extravagant, wasteful perhaps, adventurous, aggressive, just like the present race of Americans, who feel they have to buy steel to bridge the Hudson, whereas the ferry boats are not nearly worn out.

## August Output of Motors Low, But Rumor Production Holds Up

AUGUST automotive production may hit the low point of the year. Nearly half of the industry's capacity will be idle for the first half of the month; some plants will close longer. Ford is closed for the month with some assembly plants continuing to operate at declining rates. Others shut down for various purposes, chiefly inventory, include Oakland-Pontiac, Reo, Cadillac-LaSalle, Oldsmobile, Graham-Paige.

Chevrolet, Chrysler, Buick, Studebaker, Hudson, Auburn, and Nash are expected to carry on through the summer without interruption.

Unofficial estimates for July output place it not far from 200,000; August may be under the 172,000 produced last January. The Plymouth schedule, which calls for 25,000 during August, will help boost the total.

Detroit automobile men believe that when Ford starts up again, he will be producing a new model, or at least an improved Model A. There are two opinions—one that a new Ford car is imminent, with radical improvements;

the other, that minor refinements and low prices will be the Ford strategy for the rest of the year. The new model theorists say it will have longer wheelbase and body, gasoline tank in rear, new radiator front, free-wheeling, heavier crank-shaft, larger cylinder bore.

There will be no 8 until next year; when it appears, it will be distributed through Lincoln dealers. Ford is anxious to set up a separate Lincoln dealer organization.

#### The Big Race

During the first 6 months of the year Chevrolet sales exceeded Ford by 18,000—368,900 for Chevrolet, 350,800 for Ford. Together they sold 61.1% of the industry's total of 1,177,000; 29% less than during the first half of 1930 and 45% below 1929.

In only 1 month of the past 6 did Ford sales exceed those of Chevrolet; in June Chevrolet led by nearly 8,000, evidence that its leading position is being well maintained.

Just a year ago free-wheeling was introduced to American car owners by



Being Gallows

THIS IS TRAFFIC—The New York end of the Holland Tunnel during a summer week-end when 50,000 cars a day roll under the river to Jersey

Studebaker. Now 11 manufacturers offer free-wheeling on some 18 different models, either as standard equipment or extra.

In view of the growing popularity of free-wheeling the industry is wondering what General Motors will do about it. General opinion is G.M. will develop something of the sort, of its own design.

The next Chevrolet model is almost certain to be equipped with the synchromesh transmission now used on all other G.M. cars.

## Peerless Bid for Sales Based on Aluminum

PEERLESS Motor Car Co., Cleveland, plans to present within a few months an entire new series of cars in which aluminum alloys will be used to a much greater extent than ever before in production models (*BW*—Jul 8 '31). The new cars will be powered with 12- and 16-cylinder engines and the use of aluminum alloys for engine, body, frame, axle and other parts is expected to keep the weight down to 4,000 lb.—from 1,000 to 1,500 lb. less than 16-cylinder cars now on the market.

Aluminum is still an expensive material for such purposes so the new cars will be priced in the top class. The improved operating characteristics resulting from drastically reduced weight are expected to compensate for this and extend automotive interest in aluminum alloys.

Peerless cars will carry several times the weight of aluminum used in the Duesenberg, now credited with the largest quantity of the metal. Marmon's engine block rates it next after Duesenberg in use of aluminum while the little Austin is generally believed to follow.

Anticipating the new models, which are expected to carry a 3-year guarantee during which the company will meet all servicing requirements, Peerless has disposed of the parts business for its present cars to Peerless Motor Service Co., a new organization controlled by Peerless but to be operated by General Parts Corp.

General Parts manufactures and supplies maintenance and repair parts for electric locomotives, gasoline engines, locomotive cranes, steam shovels, derricks, tractors, axles and some 50 makes of automobiles most of them obsolete. It specializes in buying up parts departments of defunct concerns and assumes the responsibility of keeping the orphans in working order.



General Electric Refrigerator Show Rooms, Judson C. Burns Co., Philadelphia, Pa. Sealex Floors installed by Wilf Brothers, Philadelphia.

## Her Majesty . . the Customer

Like Sir Walter Raleigh, modern captains of industry find that it pays to watch Her Majesty's step. His velvet cloak paved the way to royal favor. Today, Veltone floors win the good-will of that absolute monarch of modern business—the customer.

The illustration above shows how it is done by the men who sell General Electric Refrigerators. The striking floor is one of the new Veltone effects in Sealex Linoleum—embellished with special designed-to-order insets, including the G. E. trade-mark in the foreground. Floors like this make merchandise look its best—quickly pay for themselves in increased sales. We all know that people with money to spend prefer to spend it in prosperous-looking surroundings.

Interested? Then write our Business Floors Department. Get the facts about Bonded Floors service—Sealex materials backed by a Guaranty Bond.

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**SEALEX**  
LINOLEUM FLOORS



# A SOUND APPEAL TO BUSINESS SENSE

In Pierce-Arrow, and in its illustrious background of survival-value, is every element that contributes to a highly satisfactory investment-return . . . Modern yet always in excellent taste, sophisticated yet dignified, as exclusive in its design as in its social prestige, it affords the flawless performance one would expect America's finest motor car to yield . . . Yet no penalty of price attaches to the many distinguished qualities for which Pierce-Arrow has been famous over the years. Today's car, in fact, is bought on the most favorable price basis in Pierce-Arrow history . . . The single obligation Pierce-Arrow seeks to impose is the pleasant one of learning by demonstration, and by critical inspection, that here indeed is the car of cars, designed and built for the years rather than the passing fancy of the moment.

# PIERCE

AMERICA'S FIST

THREE NEW GROUPS, ALL WITH FREE WHEELS AND  
(SPECIAL CUSTOM-BUILT MODELS) ALL

*Pierce-Arrow quality is attractively pictured and described in several booklets, including one which treats of the special custom models by LeBaron. These are obtainable from the Pierce-Arrow dealer, or by mail-request from The Pierce-Arrow Motor Car Company, Buffalo, New York.*



# ARROW

FIRST MOTOR CAR

FREE WHEELS AND UP; AT \$3450 AND UP; AT \$4275 AND UP.  
ALL PRICES F. O. B. BUFFALO.

AUGUST 12, 1931

25

# Chrysler, With New Plymouth, Hopes to Crowd Ford, Chevrolet

**He has tried before, but never with such promise of a real battle**

WALTER P. CHRYSLER'S "floating power" Plymouth, recently announced, is placing him and his organization in the public eye as they have not been since he startled the automotive world with a brand new design trend in the first Chrysler cars of 1925. In 6 short years he has advanced his organization to third place in world automotive affairs; now for the first time, is giving real concern to his 2 chief low-price car competitors who have virtually divided that market between them for many years.

## Increase Production

Sales of the old model Plymouth for June were less than 4,000. During July, output of the new Plymouth was 21,000; 25,000 are scheduled for August and feverish construction activities are hurrying additions to Detroit plants to increase capacity still further in response to an almost unprecedented new model demand.

Ford plants, except some assembly lines, are closed for August, perhaps longer; Ford plans for a new and better Model A are reported all disarranged by the advent of "floating power" which sets quite new criterions for 4-cylinder riding comfort. Mr. Ford knows about the new Plymouth, for Mr. Chrysler sent him one, as a gift.

With the introduction of the new Plymouth, pushed by a particularly intense sales campaign, Chrysler makes his long awaited bid for pre-eminence among the great companies and personalities of motordom. Ford and Chevrolet have a war on their hands.

## A Real Optimist

To reemploy thousands of workers, to spend \$10 millions in experimentation, preparation, and promotion, in the year 1931, is thought to be a little mad by many, particularly in Wall Street. Chrysler is as little influenced by such pessimistic thoughts as is bankerless Ford.

He has fundamental resources which give to his adventure a strongly reasonable assurance of success, even in a bad year.

These include: several thousand satisfied dealers who are neither pampered nor brow-beaten but who are

among the most aggressive selling units in the country; a production line generally believed by experts to be as efficient as any in this or any industry; a demonstration during recent years of the importance which the public puts on operating economy and comfort, both of which the new Plymouth promises in full measure.

If the Plymouth should be successful in outdistancing Ford and Chevrolet in retail sales even for a single month it would be a fitting climax for an automotive career that began in 1905 with the purchase of an automobile at the Chicago Motor Show for \$700 down, \$4,300 in fragile notes—bought so that he might take it apart and put it together again.

Walter P. Chrysler (ssh, the P stands for Percy) is primarily a production man, that is one reason why Chrysler production lines are models for the industry. His father was a locomotive engineer. From his home at Wamego, Kan., Walter P., born 1875, left for the Union Pacific shops at Ellis, a few miles away, when he was 17. Continuously ever since, his primary interest has been mechanical things.

## Gets a Raise

In a year after taking his job in the railroad shops he had fabricated a steam locomotive model, 48 in. long, complete and accurate down to real air brakes. For this feat he was promoted to 7½¢ an hr.—from 5¢—blew himself to some raw materials with which he designed and fabricated a set of tools. With the tools he first made a regular sized shot-gun. These tools now repose in state on the 71st floor of the Chrysler Building.

It was clear even to Ellis, Kan., that helper Walt was a genius. So he left Ellis for Salt Lake City where he astounded the Mormon roundhouse hands by a spectacular feat of replacing an exploded locomotive cylinder head in time to send the crippled Coast express out over the Denver & Rio Grande on schedule. His bible was the Scientific American, his encyclopaedia the Montgomery Ward catalogue, his university one of the correspondence schools of the epoch. Only once did he ever re-

turn to Ellis, and only to marry his best girl and take her on and up with him.

The Colorado & Southern made him boss of their bigger show at Trinidad and at 33 he reached the ultimate mechanical top of raieldom when he was made superintendent of motive power for the whole Chicago & Great Western System. From this job he jumped to works manager, then general manager, of the Pittsburgh plant of American Locomotive Co. and, in 1911, got his first automotive job with Buick.

## Another Step Up

Buick was then producing 40 cars daily; by 1919 daily output was 550, profits were \$50 millions annually and, with Buick's acquisition by General Motors, Chrysler was put in charge of all production matters, admittedly the most accomplished production man on earth.

A row followed with William Crapo Durant, then in his second régime (1915-1920). Neither man would ever explain the why of their battle. In any event, Chrysler found himself out of General Motors and in Willys-Overland. In helping to reduce the debt of the latter from \$46 millions to \$18 millions, Chrysler set himself so well



*Wide World*  
**MECHANICIAN—Walter P. Chrysler looks like Walter Hagen, works and cusses like the good production man he is**



that in the fall of 1919 Willys-Overland started active operations on the construction of a plant in Elizabeth, N. J., where a new addition to the Willys-Overland line, to be named the "Chrysler," was to be produced.

Depression halted the plans. The plant, strangely enough, was later sold to Durant who had followed Chrysler into exile from General Motors.

Leaving Willys-Overland, Chrysler went with Maxwell where his money-saving ministrations were sadly needed; then followed the Maxwell-Chalmers merger from which developed Chrysler Motors.

#### Seeks Ideas Abroad

Production-minded Chrysler still retained full reasoning powers. He decided that the first car to bear his name should be different. He went to Europe for ideas, decided upon a traffic-proof car, small, nervous, fast, good-looking, all to sell for a moderate price.

To carry out his ideas he bought out and plunged into oblivion the firm of Zeder, Skelton & Breer Engineering Corp. of Newark, N. J. and gained 3 partners.

Mr. Breer imagined the motor; Mr. Skelton conceived the slick body architecture; Mr. Zeder took over the entire engineering department of the new company; incidentally he is credited with responsibility for developing the principles underlying "floating power" the newest and perhaps the best Chrysler appeal to pocketbooks.

Since the first Chrysler was announced the organization has been among the leaders of the industry. Its Plymouth was designed some years ago to compete on an even basis with the low price models of its 2 chief competitors but, up to this spurt, Plymouth competition had been disappointing to its sponsors.

#### Plays the Game

It will be interesting to see what a big man can do with a bad situation. For he is hard at it. His family may yacht the Sound, listen to the pipe-organ at Glen Cove mansion, idle in the swimming pool, or even look at the excellent old tapestries, rugs, and point lace that he buys so cheap in Fourth Avenue Armenian auction rooms, but Chrysler sleeps chez Pullman, or in his own lofty garret above the Cloud Club, with 40 men fighting to get to him.

Every day, as his game plays on, he looks more and more like Walter Hagen in a tight pinch on the links—good natured, smiling, but able to swear like a gentleman just the same.

## GENERAL FOODS ANNOUNCES A NEW RESEARCH ACHIEVEMENT..

### VITA-FRESH



VITA-FRESH, the latest research achievement of General Foods, is a complete solution to the problem of coffee freshness. It has already been applied to Maxwell House Coffee, one of General Foods' 20 nationally advertised products.

Coffee deteriorates on contact with air. The delicate, volatile flavors escape, thereby causing loss of freshness. Oxygen combines with oils left in the coffee, thereby causing staleness. The best vacuum packing now in commercial use removes 90% of the air. Vita-Fresh removes more than 99% of the air and, for practical purposes, creates a complete and perfect vacuum. The importance of this advance is shown from the fact that even a 90% removal of air

leaves in the can enough oxygen to cause some deterioration of the contents. Vita-Fresh seals coffee's fragrance so perfectly that even expert coffee tasters cannot tell the difference between coffee that has stood for months in Vita-Fresh cans and coffee fresh from the roaster.

Probability that the new process may be made available to other packers is disclosed in the announcement that the American Can Company has been authorized to grant the use of it to other coffee roasters.

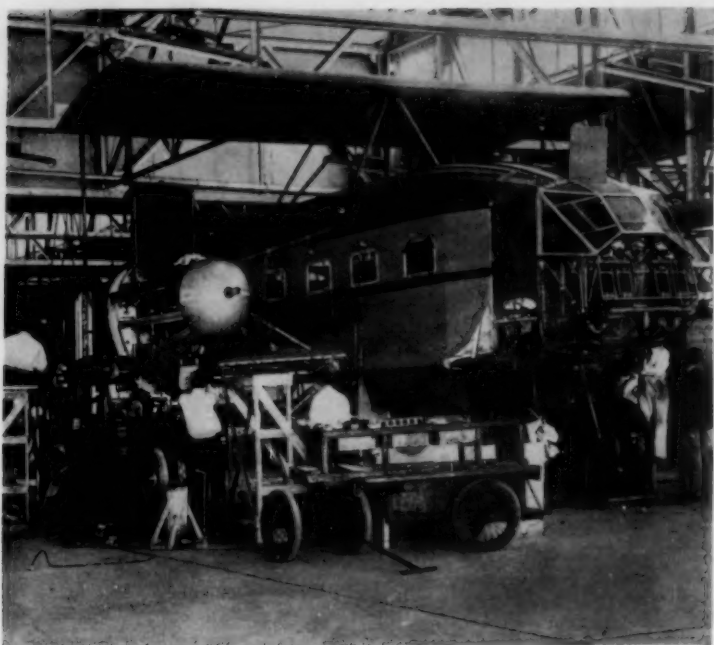
"The Story of Vita-Fresh," a booklet which should be of interest to both housewife and business man, will be sent to you free upon request.



## GENERAL FOODS

DEPARTMENT 6-N 250 PARK AVENUE NEW YORK CITY

Maxwell House Coffee, Log Cabin Syrup, Jell-O, Certo, Post's Bran Flakes, Minute Tapioca, Postum, Hellmann's Mayonnaise Products, Walter Baker's Chocolate and Cocoa, Franklin Baker's Coconut, Calumet Baking Powder, Grape-Nuts, Sanka Coffee, Swans Down Cake Flour, Post Toasties, La France, Satina, Diamond Crystal Salt, Whole Bran.



*The Business Week*

**ANOTHER CONDOR**—One of the 3 Condors which Curtiss will soon deliver to Eastern Air Transport. These huge planes carry 18 passengers in 3 compartments, feature luxury and spaciousness

## Automobile Junking Expands, Becomes a Thriving Industry

**Ford's ambition is to scrap 5,000 daily—industry's total 300,000 in 1930.**

THE Ford Motor Co. is about to conclude an agreement with the city of Detroit to pay \$12 each for obsolete cars abandoned on Detroit's streets. These cars will be taken to the Rouge plant to be put through the scrapping operation there.

Ford is increasing its practice of junking cars and salvaging parts (*BW*—*Mar19'30*) by bringing in obsolete cars to Dearborn on Ford ships plying the Great Lakes. Finished new car parts are transported to branch assembly plants at Chicago, Milwaukee, and Buffalo; old cars comprise the return cargo.

### Scope Spreads

Experiments are being made also in moving old cars by rail and water from the Cincinnati district to Dearborn. If successful, this plan will be extended to other districts. Thus, the scrapping of cars which started as a local measure for the Detroit region is spreading out and may soon encompass a considerable portion of the country.

This is in line with Ford's ambition

to scrap 5,000 cars a day at the Rouge plant. He pays dealers \$20 for every obsolete car. Deduction is made for missing parts and for cost of hauling the car to Dearborn (\$2 to \$5), so that the net per car averages \$12.

### Cost of Scrapping

Value of salvaged materials and parts may put Ford about even on the transaction. However, some automobile executives who have studied the scrapping process are of the opinion that he is losing money on this venture. It has brought him wide publicity, but few in the industry are willing to concede its practicability, at least so far as their own companies are concerned.

Perhaps less spectacular, but just as effective, scrapping measures have been adopted by members of the National Automobile Chamber of Commerce, led by General Motors (*BW*—*Jan15'30*). Of the 300,000 to 350,000 cars taken off American roads in 1930 by the junking plan supported by manufacturers, it is estimated over 200,000 were

scrapped by Chevrolet dealers, 50,000 by Ford.

Companies aside from Ford pay dealers \$25 to \$35 for scrapping obsolete cars. If a Chevrolet dealer, he is credited with \$5 for every new car sold. When he has sold 5 new cars, he can scrap an obsolete one which he may have acquired in the course of his business. He then gets \$25 from the Chevrolet company and takes a sledge hammer to the "junk" as a guarantee that it will never go into service again. But sometimes he adds the junking bonus to his customer's trade-in allowance.

### Higher Allowances

Allowances toward scrapping cars increase somewhat as new car prices increase—a Buick dealer would be credited with more than \$5 for a new car sale—but the allowance applies only up to a certain point, beyond which any scrapping must be done by dealers without factory help. It is estimated that in 1930 manufacturers spent \$6 to \$7 millions for this work.

Only 25% to 30% of cars scrapped are of the manufacturers' own make. Models run the gamut from the little-remembered cars of 10 to 15 years ago to the more popular ones of today.

One way of making the scrapping scheme effective has been for groups of dealers in different cars to organize private companies in various cities, subscribing capital stock for the operation of a scrapping yard, with material from junked cars sold as scrap. Cleveland has the outstanding example (*BW*—*Aug13'30*), but such concerns are being run in 10 to 12 cities. Only a few, notably Milwaukee and Omaha, are making money, and it is doubtful whether the industry will push this method of getting rid of old cars. The principal weakness is that success of the company depends on the ability of the salaried manager.

### A Huge Trade

Even though the industry declines to give official approbation to the sale of used parts, this practice is tied up closely to the scrapping program. Auto wreckers and those selling used parts have sought to dignify their trade by calling themselves used parts dealers and have bound themselves together into associations as such. Detroit has 150 to 200 used parts dealers, the United States perhaps 20,000 doing an aggregate business of over \$400 millions a year.

About half of the trade of used parts dealers is in non-wearable parts (cylinder heads, transmission, crankcase, wheels, axles), the remainder divided

Built around a shaft of  
8¼ million cubic feet of

on Forty Second Street

Four hundred and ten paces from Times Square stands the new McGraw-Hill Building.

Stepping aside from tradition, its architect, Raymond Hood, reduced the use of masonry in the walls to the minimum. Acres of ¼-inch plate glass take its place. Thus tenants reap the benefit of Sunlight flooding every corner of all thirty-three floors. In this modern structure Sunlight has become a building material!

Designed to house the publishing headquarters of the McGraw-Hill Publications and the McGraw-Hill Book Company, this unique structure is modern in every respect... zone heat control; complete sprinkler system on all floors; underfloor ducts, with outlets every two feet on tower floors; high-speed automatic elevators serving tower floors. The lower floors are served by special freight elevators descending to a shipping court which extends the full length of building on 41st Street.

Seven of the thirty-three floors, attractively priced in line with 1931 building costs, are open to other tenants.



THE NEW  
*McGraw-Hill  
Building*  
80% rented

## *For Rent—Occupancy September 1*

Floors 12, 13, 14 and 15; 17,300 square feet each; ceilings 12 feet high; floor rating 120 lbs. to sq. ft. make these locations suitable for offices or light manufacturing... Floors 17, 20 and 21; 11,700 square feet each; offer particularly excellent office locations. Units of space to suit, from 800 square feet up. For prices and space units still available address Brown-Wheelock-Harris-Vought & Co., 14 E. 47th St., New York City.



among reconditioned parts (cylinder blocks, radiators, batteries, tires, fenders, electrical units) and assembled units (complete engine, clutch, body). The bulk of these parts is bought by car owners, but a small volume goes to car dealers, used car lots, and independent service stations.

The price on used parts is generally less than half of their cost new, although it ranges from 5% up to close to the full price of a new part (a Detroit used parts dealer sells a Ford Model T used fender for \$1.50, factory charges \$1.65 for a new fender).

Although automobile manufacturers financially assisted in scrapping over

300,000 cars last year, this is only a small portion of the 3 millions which were taken out of service. It is estimated that fully 600,000 were junked by dealers without compensation from factories, about 300,000 were sold by owners direct to auto wreckers, 350,000 were destroyed by fire or collision. This leaves 1,200,000 unaccounted for, perhaps abandoned by owners on the streets of cities or the public highway or retained by owners without being used.

The Institute of Scrap Iron & Steel is attempting to work out a plan for co-operating with motor car manufacturers by providing official junk yards, but no agreement has yet been reached.

## Instalment Sales Percentages Same in Slump as In Boom

SPOKESMEN for the instalment finance business are contending vigorously in the public prints that the volume of their business is much less than people say it is. Most industries are willing to let big figures circulate without correction.

The trouble in this case is that effort is frequently made to pin a large part of the responsibility for this depression on the preceding "over-extension" of in-

stalment selling. It made the boom bigger, the depression deeper, critics say.

In reply, the National Association of Finance Companies is now calling attention to the fact that proportion of instalment sales to total sales in industries where instalment selling is a large factor is practically the same in the depression as it was in the preceding boom.

In 1929, 62.6% of new cars and



*Living Galleries*

**FOR TIRE SALES?**—On the Berlin-Potsdam motor highway stands this figure of Death holding a ruptured tire, mute warning of the dangers of blow-outs



**GUIDE POST**—One of Berlin's "Auto Pilot Service" posts at the outskirts of the city where strangers pick up a guide who pilots them through Berlin traffic, teaches them the regulations and the short cuts

*International News*

65.1% of used cars were sold on instalments; in 1930, 62.3% of new and 64.1% of used. No figures for 1931 will appear until after the year is ended, but the trend appears to be about normal. The average proportion of new car instalment sales for the 6 years since the compilation of the figure began has been 62.3%—exactly the same as the 1930 figure. High was 68.2% in 1925; low was 58.0% and 58.1% in 1927 and 1928 respectively.

Practically all instalment contracts that were outstanding at the time of the crash have been paid off months ago. Credit now outstanding reached a low point of about \$2 billions this spring. "It is now increasing once more and probably will not again go as low as it was this spring for years to come," states Milan V. Ayres, finance industry statistician.

Confusion of figures clouds discussions of instalment finance. In 1928, goods with about \$6 billions were sold on instalment. One quarter was paid down in cash. To handle the remaining \$4½ billions about \$2½ billions of instalment credit was needed, since the amount of such credit outstanding at any one time is "always very nearly one-



half of the deferred payments annually contracted for" (Mr. Ayres).

National consumer credit, according to an estimate made in October, 1930, is \$10.7 billions. Of this \$4.5 billions is in open accounts; \$2.5 billions in instalment debts, \$2.2 billions in life insurance loans; \$1.5 billions in small loans. There have been some shifts in these figures but not major ones. Thus, for the latter half of 1920, the average time required to collect retailers' open accounts was 70 days; for the latter half of 1930 it had increased to 76.

## Letters

### Gas Tax Diversions

American Petroleum Institute,  
New York, N. Y.

To the Editor:

In the July 1 issue of *The Business Week*, page 26, is the following statement in an article headed, "Congressmen Opposed to Mellon Gas Tax Plan":

"The states feel that they have handled the gasoline tax in a forward-looking manner. More than 95% of all money collected in that way by the states has been used in the construction of highways. There are only 4 states that deviated at all from the principle."

While the states have, as *The Business Week* says, spent some 95% of gasoline tax revenue on highways, these diversions have grown.

*The Business Week* errs in saying that only 4 states have deviated from the principle of spending gas tax funds on highways. More than 13 have done so and the number is increasing rather than decreasing.

Oklahoma will spend the entire income from an extra 1c. tax this year for unemployment relief and schools. New Jersey is floating a \$100-million highway bond issue, to be financed by gasoline taxes, of which a large part will go to constructing state buildings, buying water sheds and paying for other projects quite unrelated to highways. New Mexico is spending a portion of its gas tax income on fish hatcheries. Alabama is trying to build a state sanitarium with money from a proposed increase in the tax rate. In a number of state legislatures this year proposals were made, largely unsuccessfully, to use gasoline tax money for special purposes other than highways.

More than 100 communities of Alabama, 75 in Missouri, Pensacola, Fla., New Orleans, and a number of Louisiana parishes collect gasoline taxes of their own. Towns and villages of New Mexico began collecting local gasoline taxes this year and the cities are trying to get around an error in the new law which prevents them from doing so. This money does not go to roads; the communities plan to spend it for almost everything from salaries for city employees to financing advertising for local fêtes. States in which a portion of the gas tax income is sent back to counties and towns have found that the local officers do not apply all the money to roads; much of it goes for special projects and a variety of purposes.

Very truly yours,

PAUL E. HADLICK,  
Secretary

# "And so built we the Wall, for the people had a mind to work."

*Nehemiah IV 6*



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# Central Mortgage Bank Finds Many Supporters, Some Skeptics

Canvass of opinion on proposal to improve real estate financing brings out typical arguments pro and con

DISCUSSION of better methods to finance construction, especially home building, continue strong in real estate and financial circles. They focus largely on the proposal for a Central Residential Mortgage Bank which was popularized during the spring and took form at the May meeting of the National Association of Real Estate Boards (BW—Jun 10'31). President Hoover's Conference on Home Building and Home Ownership and a number of other organizations are studying and will report on this proposal. Congress is certain to have several like it on the slate this winter.

## Real Estate Men in Favor

Real estate men generally favor the plan. So do many material dealers. Those engaged in building finance are not so unanimous. Building and Loan Associations, touched most closely, are hesitant, will discuss the plan at their Philadelphia convention next week. Many of them note that essentially the same proposal has been several times

placed before Congress by their national organization.

Leaders in building and allied industries hold widely differing opinions, a canvass by *The Business Week* shows. Proponents argue that home building would be stimulated with favorable economic consequences. Opponents fear the plan won't work well in actual practice, don't care for governmental regulation in the mortgage business, cite the federal farm loan organizations as bad precedents and do not approve of new tax-exempt securities or government money put to such a use. (Government money is not regarded as a prerequisite by many proponents.) The trend of opinion pro and con can be adequately summed up in a selection from the statements received by *The Business Week*.

E. R. Embree, president of the Julius Rosenwald Fund, Chicago, sees distinct advantages. "More flexible residential mortgages, as proposed through a central residential mortgage bank, are

among the things required to improve home building and home ownership. Our grandchildren will probably be most outraged at the careless way we now handle the problem of homes. In housing we lag far behind many countries in Europe."

Henry G. Zander, Chicago real estate investment man, sees distinct advantages. "Establishing a national rediscount bank for home finance along the general lines followed in other countries would be one of the biggest steps forward in developing still further the national tendencies toward home ownership of Americans. Home ownership, to be successful, must have for its incentive the ultimate ownership of the home clear of all indebtedness. The only way this can be accomplished is to permit the home owner to reduce his indebtedness as he earns the money, that is, in regular stipulated amortization. Through a rediscount bank, enabled to buy these amortized mortgages and issue against them debentures for long or short term, a perfectly safe, sound and economical method would be available to serve both the home owner and the investor."

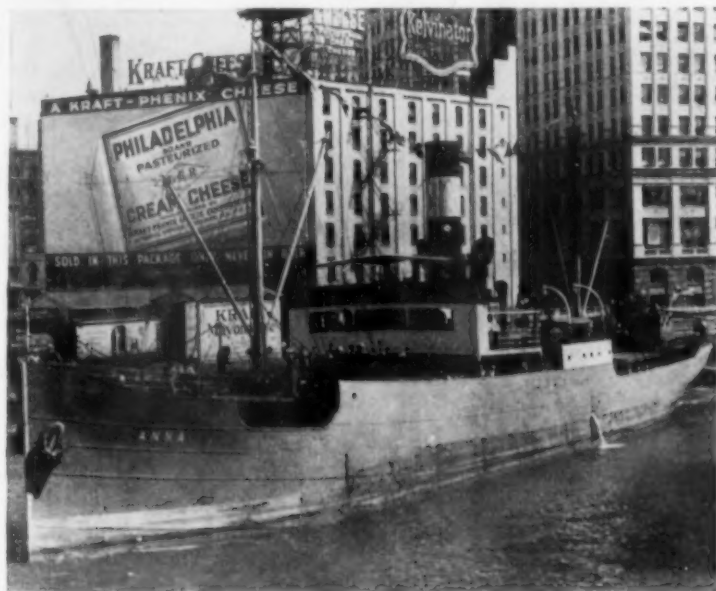
## Needs to Be Better Done

Henry Bruere, president, Bowery Savings Bank, New York, says, "The idea of a central mortgage bank interests me. The present method of financing is far too haphazard and conflicting. It needs to be better done."

H. S. Kissell, past president, National Association of Real Estate Boards: "The suggestion was made with the idea of trying to find some way of creating a flow of capital from sections which have an abundance, as is the case today, into other sections which have absolutely no capital for residential building. One of the greatest calamities which has come out of this depression has been the fact that many people who have saved for 5 to 10 years or longer and have put all of their savings into a home have found that their mortgage came due in the midst of this depression. In many cases they have been unable to refinance their loans under present conditions."

## Should Not Be Limited

Lawrence Cummings, vice-president, Douglas L. Elliman & Co., New York: "I am sure that we are soon to see a bank of this nature instituted, but its work should not be limited to the financing of home-owners, with the need today for a real estate bank that will minister to the requirements of both commercial and residential builders. The average banker is timid about real estate, largely because of lack of knowledge of the subject; and real estate is



Underwood & Underwood

CHICAGO'S A SEAPORT, NOW—The Swedish freighter "Anna," out of Antwerp, steamed across the Atlantic, up the St. Lawrence, down the Lakes and up the Chicago River, where she dumped her cargo of fencing wire and general merchandise right on the docks of Montgomery Ward

suffering because bankers are withholding the support to which it is justly entitled. It will be a boon for real estate when the organization of the real estate bank is perfected."

A high banking official states: "It has been established without question that the commercial banks cannot carry the burden of real estate financing; indeed, I think it is not too much to say that throughout this district perhaps 95% of the bank failures have been due to the fact that they had too large a proportion of their loans predicated on real estate." Yet "it would seem that mortgages on homes conservatively made on a proper basis of valuation are not only desirable and safe but should be encouraged and that some such agency might be the means of filling the gap which seems to exist in our present credit system."

#### Favors Bank

C. G. Edwards, president, New York Real Estate Securities Exchange: "While I am opposed to governmental regulation of business in general, I believe at this time that a central mortgage bank operating along the lines of the French or the Swiss mortgage banking systems would be far preferable to the methods that have been used with such disastrous effects by the so-called 'bond houses' in financing real estate in the past. If the government will undertake to establish a central mortgage banking system and will issue certificates or paper of some sort that can be sold to banks and bankers throughout the country, it is the best suggestion I know of at the present time to further the interest of the investor in real estate in such a manner as will assure him of the utmost security."

But many mortgage bankers are seriously concerned as to the effect such legislation would have on governmental policy. They are not encouraged by the record of the Federal Farm Loan system or the operation of land credit systems in several of the states.

#### A Banker's Opinion

A prominent banker: "I know full well the opposition that Congress would present to any further attempt to legalize the issuance of tax exempt securities. Without tax exemption, the supervision of the federal government in the mortgage business would be more of a nuisance than a help. There has been plenty of mortgage business. The trouble has been that it has been of rotten quality." He favors rather issuance of guaranteed obligations supervised by state banking departments.

A mortgage banker: "I am opposed



*International News*

"THEY SHALL NOT FLOW!"—Governor "Alfalfa Bill" Murray waved his hand and 2 flags, declared martial law for 50 feet around every Oklahoma prorated well, shut them in until oil reaches \$1 a barrel

to all movements which put the government either directly or indirectly into private business and I think this program may develop in the future to have this element."

An important building finance offi-

cial: "I seriously doubt whether such a system will have any material effect on second mortgage practices. It would be rather difficult to dispose of the bonds issued by such a bank during periods of high interest rates."

## Trust Plan Cuts Salvage Costs On Distressed Real Estate

THE realty trust is one plan which appears to offer a ray of hope for worried real estate bondholders, 60% of whom are likely to suffer some loss, according to the Investment Bankers Association. It is designed to eliminate many of the present excessive wastes of foreclosure, receivership and forced sale of distressed properties.

Much of the money that in a normal foreclosure would go for handsome attorneys' and receiver's fees is, under this realty trust plan, used to continue partial interest payments to bondholders. A moratorium is declared on principal prepayments, the necessity for continuing which is the main cause of foreclosure of earning buildings.

At least one such realty trust is now in operation on a sizeable scale. Some

\$15 millions of apartment buildings, 27 in all, 42 to 150 flats each, securities for which were underwritten by George M. Forman & Co., Chicago, now out of business, are in a single realty trust pool watched over by C. S. Tuttle, real estate loan vice-president of Central Trust, Chicago (the Dawes bank). Mr. Tuttle is serving as chairman of a "Bondholders' Advisory Committee" of 4 disinterested bankers. Courtney R. Gleason, a building manager and real estate banker of some 40 years' experience, is operating head.

After some 9 months of operation, satisfactory progress is reported. About 85% of bonds are deposited or in control, holdings of some 30,000 bondholders. In exchange for bonds deposited, 15-year income collateral bonds



of equal face value have been issued, plus a little bonus of stock in the trust. The deposited bonds are the "collateral," which Central Trust holds, as trustee. The word "income" in the name of the new bonds means that revenues collected from operations of the buildings, over and above amounts needed for operating expenses, are to be available for distribution periodically to bondholders, even though the amounts so distributed be less than the 6½% and 7% which the original mortgage bonds called for.

While many have asked for information, the plan is not, to the knowledge of those now working it, being imitated in any large way. Asked why not, Mr. Gleason stated, "I can answer that question in a hurry—because it does not profit those who operate it. Its weakness is that it considers first that almost forgotten party, the bondholder."

#### Get Results

To what extent losses are minimized or eliminated remains to be seen. The Forman plan, however, does appear to be getting results. Of the 6 buildings that have been in full management by the trust longest, 5 now have less than 10% vacancy, and one, the Shoreline, is stated to be 100% rented. Spring rents have not been cut, though it is not unlikely that cuts will have to be made later in the year. Experience has indicated that buildings come into the trust in rundown, perhaps "milked," condition. It takes some time and some money to rehabilitate them.

Money is available, if needed, due to the fact that a number of equities were turned over by George M. Forman & Co. or have been otherwise acquired. Owning equities and having most of the bonds in deposit, the trust is in position to raise money.

#### Fare Better in End

Critics of the plan point out that it is unfair to treat alike holders of bonds of varying worth. The answer given is that all fare better in the end. Given time to sell properties in an orderly manner on a normal market, as the plan contemplates, chances of realizing from 70 to 100 cents on the dollar exist. Such is seldom the result when issues of even the highest calibre are forced through foreclosure.

Mr. Gleason deplors efforts which bankers are now making "to make real estate as liquid as so-called liquid securities." "It can't be done without terrific loss," he states, "Real estate is essentially a slow-moving commodity. It will continue such. Give it time, and it is good—as always."

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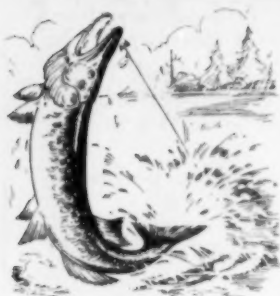
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# FENCE

CHAIN LINK OR ORNAMENTAL WROUGHT IRON

## Canadian Parliament Takes Over Beauharnois

OTTAWA (Special Correspondence)—Following the investigation of the Beauharnois St. Lawrence River project, with its disclosures of political scandal, the Canadian Parliament has assumed control of the project.

Because the enterprise is designed to provide a link in the St. Lawrence-Great Lakes waterway, the parliament holds that it is a work for the national advantage of Canada and thus comes under the exclusive jurisdiction of federal authority. The government is authorized to take possession of the canal by purchase or expropriation. The provincial government of Quebec, which claims ownership of and jurisdiction of power, consented to the enactment on stipulation that its claims were not prejudiced.

### Federal Order Cancelled

The federal order-in-council of 1929 making the power concession operative, the validity of which was called in question, has been cancelled and a statutory grant of the same rights to the same company authorized.

These enactments do not come into force until proclamation by the Governor-in-council. This means that the Bennett government has a weapon with which to compel reorganization of the Beauharnois company and a change of control from persons condemned by the parliamentary probe committee. Until the act making the re-grant of the concession valid is proclaimed, the company can do no financing.

### Government Ownership

The government, acquiring ownership of the canal and adjacent lands so that a navigation channel—a substitute for the St. Lawrence River—shall not be in private hands, will have to pay the company for these possessions and then grant it the use of them for the development of power. For the use of them it will demand a payment which will bring to the nation a substantial share in the profits.

These profits will be very great, for there seems little doubt that the whole flow of the river will pass into the Beauharnois for power development. The total possible development is 2 million h.p. and the development of all in excess of the 500,000 h.p. now provided for will be comparatively low by reason of the canal and power works having been carried out with a view to a total ultimate diversion. Also, in the reorganization much water will be squeezed out of the capitalization.

# Business Abroad—Swift Survey Of the Week's Developments

Nervousness continues... Germany has succeeded in reopening banks without a run, but readjustment to the drastic new import restrictions is causing serious, if temporary, unsettlement. The Prussian elections are a matter of grave concern... Fresh flurries in the sterling exchange have unsettled Britain again. The country is calm but confidence has been weakened... France is fast gaining prestige as a money center of world importance. Domestic business is lagging but the outlook is slightly improved by the termination of the textile strike... Italian business is slack... Mexican foreign trade and local banking are upset by new monetary and exchange regulations... Far Eastern business is featureless. Central China harassed by floods.

## Europe, Still Worried, Is Less Fearful of Collapse

EUROPEAN NEWS BUREAU (Cable)—Europe is unsettled again though there are encouraging factors to counterbalance new worries, and fears of further collapses are waning.

England and Germany are the unsettling factors. Stubborn reluctance on the part of the Bank of England to utilize the new \$250 million credit came to a sudden end Wednesday when sterling exchange dipped violently as the Bank of France withdrew its support. After a harried 2 hours, recovery set in when the Bank of England drew on the bills forming the new Franco-American credit. Sterling is up but is still below par. Confidence in Britain is shaky.

Germany buoyed both foreign and domestic confidence when banks reopened without disturbance. Deposits the first day exceeded withdrawals, even in Danat-Bank, which closed its doors during the July crisis but which operates now under federal control and federal guaranty.

### Two New Factors

Two new factors in Germany are preventing a return to normal business. One is the worry over the possible outcome of the Prussian plebiscite. If the vote for dissolution of the Diet carries, even though elections cannot be held until February, it will jeopardize the Bruening government just as did the

Hitler success last year. The country is calm, but the outcome uncertain.

The other disturbing factor comes in the new import restrictions. Added to already stringent foreign exchange limitations, they have thrown business into confusion. Importers are unable to pay their debts on merchandise, freight, or insurance. Under the new restrictions, food stuffs and manufactured products are embargoed. Even Central European transit trade is held up. Trade associations are making a strong appeal for relaxation of regulations.

## New Credits Encourage Stability In England

Business discouraged but not panicky... Stock markets quiet, but prices generally steady... Investment money re-frozen... Outlook obscured by "ifs."

LONDON (Cable)—Except for Wednesday's break in sterling, the atmosphere in London continues remarkably calm. Even the temporary break in exchange caused only a few hours of gloom. Bankers attribute it to the hiatus between the withdrawal of market support by the Bank of France and the effective use of bills forming the new Franco-American credit.

### Banks Cause No Worry

The bank position still causes no anxiety. The new credits and the increase in the fiduciary issue generally is approved as a sign of stability of central bank resources. Stock markets are quiet with prices firm in nearly every section.

Apart from financial houses, the general business background is blacker than is generally admitted. The German crisis came at an inopportune moment. It re-froze investment money, and firms in need of new capital have been thrown back on their internal resources again. Returning confidence has been dammed, and trade has suffered. The bad showing of the railways for the half year, the pitiful confession of Cables and Wireless that American expansion and the beam competition have played havoc with hopes and plans, and persistent rumors of the impending amalgamation of great newspapers—newspaper revenue being in Britain a very sure index to the general state of trade—are all

indications of a less favorable position.

The general trade position in various branches of industry in hasty summary:

Cotton: Fair enquiry at Manchester, with moderate demand for light fabrics.

Wool: Business scarce at Bradford. Woolcombers still on strike. Better rates on merino descriptions from top-makers.

Flannels: Rochdale reports better enquiry but no increase in actual trade.

Rayon: Autumn trade outlook declared better.

Iron and steel: Quieter.

Coal: Shipments are down. Cardiff recaptures Brazilian Central Railway contract for 50,000 tons, recently usurped by Germany.

Shipping: Freights dull. Grain chartering neglected during the London conference but Soviet enquires for grain shipments now increasing.

Non-ferrous metals: Markets uncertain.

Rubber: Dull.

In the provinces, smaller businesses are reaching the end of the tether. Until the German collapse, the hope was that trade would improve in the fall. That hope has now waned. National and local taxation is bound to increase.

### Losing Heart

Though Britain has not lost her head, she has a little lost her heart. There is no panic. The mood is best expressed in 2 words—"Oh, hell!"

The next mood is difficult to forecast. If the B.I.S. and the central banks manage to find a means of putting Central Europe straight without much time-lag, and the trading and investing public get out of the newspaper headlines such cases as the Kysant trial, the Alex Young art silk frauds in Scotland, the Arthur Wheeler bucket-shop summonses, we may see a vigorous turn-around in mood and the return of the fighting spirit.

## French Business Slack But Confidence Improves

Business slack but not uneasy. Automotives especially slack... Textile strike ends. More wage cuts unlikely; probable alternative, short time schedules... More aid for farmers is planned.

PARIS (Radio)—Free from the bank worries of Britain and Germany, secure in the knowledge that \$2 billions of the world's gold reposes in the vaults of the Bank of France, aware that



domestic industry, even at 10% to 20% below normal activity, is not badly off in view of world depression—French business is sitting back and meditating on the troubles of other nations, wondering how long it will be possible to continue without being seriously affected by the crisis.

Interest this week centered in 2 events: French participation in the \$250 millions credit to the Bank of England with accompanying support of sterling by the Bank of France; termination of the textile strike which has involved 400 factories and nearly 100,000 workers.

### French Eager to Loan

French participation in the British loan amounted to approximately \$125 millions, was made willingly, even eagerly by French bankers. The balance of the loan comes from the Federal Reserve Bank.

Termination of the textile strike is of more than immediate significance. Though it returns 100,000 men to work, it is more important that labor authorities recognize that in view of the strong resistance to wage cutting measures it may be wise hereafter to concentrate on short shifts rather than on outright wage cuts. To owners, the strike was a boon for it enabled them to dispose of most of their accumulated stocks which otherwise were becoming a drag on the market.

### Motor Sales Off

The automobile industry is feeling acutely the effects of the business slowdown on summer sales which usually are high. Reports indicate that so far this summer, domestic automotive sales are off 50%, while exports for the second quarter were valued at only \$20 millions. In value, this is 19% below the first quarter; in quantity, 27%. The half year loss over last year is 33% in value, 15% in quantity. Quarterly imports totaled \$5 millions, were mostly Ford parts, were 38% greater in quantity, and 17% in value above the first quarter.

Preparation of next year's budget is causing some trouble. Tax returns are dropping off, there is the loss of the German reparations payments, the additional expense encountered in salvaging the French Line, and the deficit of the railroads—all must be overcome. At present there is some confidence that the long-delayed conversion operations will, when effected, bring large economies. To this can be added some reasonable amount to be drawn from the sinking fund. Government profits from the tobacco monopoly will be a help.

## German Banking Normal; Import Limit Is Set

Germany returns to normal banking... New import regulations, to control use of foreign exchange, feature exploitation of Germany's fabricated exports. Manufactured imports banned.

BERLIN (Cable)—Germany's step-back from a banking moratorium to something approaching normal credit functioning without disorder or distress to any institution has inspired a return of confidence, badly needed. Of the elaborate precautions set up to protect the move, and prevent inflationist possibilities, the most drastic is the 15% discount rate which is likely to be reduced within 10 days if no new run develops. Business is already anticipating this relief.

### Exploit Own Products

Next most significant development is the government's drastic policy to limit imports, to supplement regulation of all foreign exchange transactions.

The new regulation is an attempt to exploit the export of fabricated products. Manufactures are practically prohibited from entry into the country. Semi-manufactures can enter in limited volume only. Raw materials, indispensable to industry, are to be admitted freely. The plan is to be enforced through state control of foreign exchange.

Negotiations leading to the purchase of Farm Board wheat and cotton are under consideration. Several hundred thousand tons of American hard wheat really are needed for mixing with domestic wheat and if an equal amount of German soft wheat could be exported the plan would be feasible. As for cotton and copper, industry is holding back on price. Unless prices are at least as low as current levels, industry would be reluctant to risk the deal.

## Wool and Rayon Gains Hopeful Signs In Italy

General business in doldrums but wool industry improving, rayon approaching boom... Good wheat crop and rush to sell forces price down. New milling regulations oppose imports... Security markets weak. Discount rate likely to rise.

MILAN (Cable)—the aftermath of the German crisis added to the usual summer dullness, continues to depress every



*America*  
AUTOMAT BANK—After years of slot-machines which make it easy to spend money comes this German device which helps to save. Coins deposited release a receipt

branch of Italian business activity. The stock exchange is weak with very little business except in bonds, which remain steady and moderately active. The exchange rate shows some improvement although it is still at the gold export point. As yet the Bank of Italy is pursuing a policy of buying gold (new shipment of 40 barrels just received from New York). A rise in the discount rate is expected shortly. Because of these factors, a more pronounced improvement in lira exchange is expected in coming weeks.

### Farmers Suffer

The agricultural situation is sorely affected by the decline in prices on farm products. Despite every effort of the government to maintain higher price levels, the drop in the price of wheat is becoming more pronounced. Soft wheat, within the week, fell away 6¢, to \$1.24 per bushel.

Industry likewise is suffering. The cotton industry is operating at only about 65% of capacity; flax and hemp at 61%; natural silk at 30% for spinning, 70% for weaving. The wool industry is more active, probably is



operating at 75% of normal, while excellent conditions in the rayon industry have lifted operations to 90% of capacity. During the first 6 months of this year, compared with 1930, carloadings were down 19%; shiploadings and unloadings were down 10%.

Domestic trade is complaining of a lack of business and difficulty in recovering credits. During June, business failures declined 2% compared with May, but were up 40% compared with a year ago. Bills protested show a similar trend.

## Latin American Situation Shows Little Improvement

General outlook unimproved.... Exchange moves against Uruguay.... Political unrest in Argentina.... Business disrupted in Mexico by monetary and banking regulations. Colombian outlook relatively good.

IN general, the Latin American situation is not improving. Chile is bound up with the moratorium on foreign payments and internal bank restrictions.

Exchange continues to move against the Uruguayan peso. The country's huge gold reserve has failed to alleviate the situation. Rumors now go so far as to suggest an import embargo to build up foreign credits on the country's limited exports.

### Securities Weak

Continuous rains have improved the agricultural outlook in Argentina, but owing to recent political events there is less confidence. Domestic securities are weak and business is hesitant. June automobile imports were about the same as May. Truck imports were up. Imports of both, however, were 50% smaller than in June 1930. June sales of automobiles were seasonally slower but the outlook is more encouraging because of favorable customs valuations and heavy exports.

In Brazil, there is a slight but perceptible upward trend based largely on the improvement in exchange.

Colombia continues to show a ray of optimism. According to the Colombian Cable & Air Mail Weekly Service, Colombia refuses to be included in any "South American Moratorium," discussed in an inclusive way by Wash-

ington. Under the Olaya régime, economies are being effected and the government is meeting debt services regularly. At present an effort is being made to consolidate all departmental and municipal foreign loans under national control.

With the oil laws ironed out, companies remaining in Colombia are the Colombian Petroleum Co. (S. A. Gulf Oil Co.), the Richmond Petroleum Co., the Tropical International Petroleum Co., the Lobitos Oilfields, Ltd., the Société Européenne des Pétroles, and the Union Colombiano de Petróleo. Of these, only the Tropical, Richmond, and Colombian Gulf are at all active. The Colombian Gulf group is now doing geological work in the Barco concession; the Richmond is still drilling; and the Tropical is in production, in the year ending April 30 produced 20,142,791 barrels of crude, refined 1,244,856 barrels domestically.

Exporters to Mexico and large domestic industries are upset by the new monetary and banking regulations now effective in Mexico (page 40).

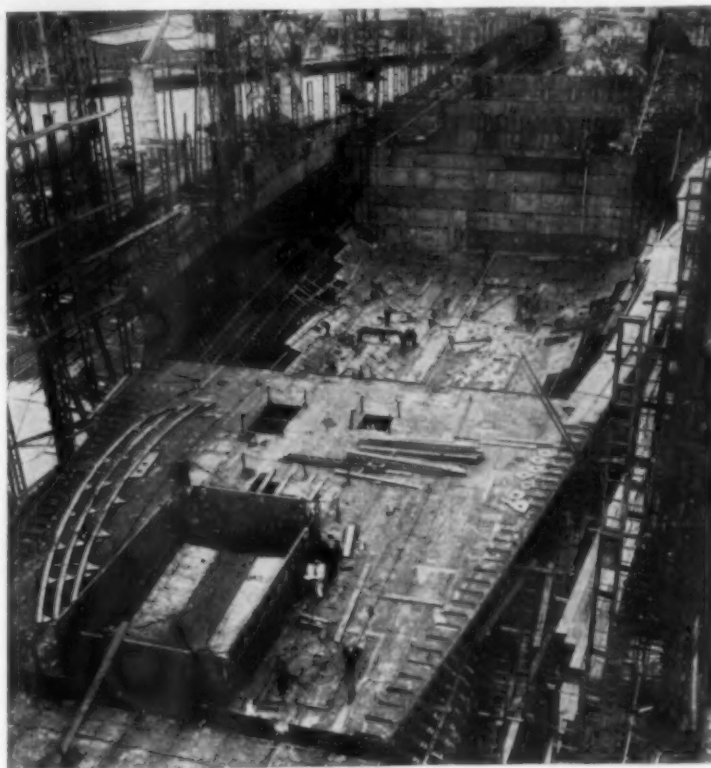
## Favorable Trade Balance Maintained In Japan

Business dull.... Japan maintains favorable trade balance.... Chinese outlook slightly improved by Nationalist success in North. Floods menace Yangtze valley.

BUSINESS is stagnant. Prices are fluctuating but little. Foreign trade for the last 10 days in July continues to show a favorable balance. Of \$20 millions of exports, raw silk made up \$5½ millions, silk goods more than \$500,000, and cotton goods something over \$4½ millions. Rayon manufacturers are competing successfully in most Asiatic markets against European producers.

Carrying out the government-sponsored shipping rationalization scheme, Osaka Shosen Kaisha has withdrawn from the Seattle service, leaving it to Nippon Yusen Kaisha. At the same time, Yusen Shosen Kaisha has withdrawn from the South American service leaving it to Osaka Shosen Kaisha. A new tourist service between South America and South Africa is planned.

China reports that heavy rains continue in the Yangtze region with severe floods in the central provinces. Disruption to North China trade, however, is likely to be settled soon as a result of the termination of fighting. Railway schedules still are irregular.



**MYSTERY SHIP**—Not much is known of Cunard's new liner now building in John Brown's yard at Clydebank. She will be huge—73,000 tons, probably extremely fast, and undoubtedly the biggest thing afloat

WHEN CAREFUL SELECTION IS VITAL TO SATISFACTION



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## New Mexican Decree Complicates Finances

MEXICO's first week on the silver standard finds business, at home and abroad, unable to settle on any definite or satisfactory forecast of the economic consequences. Certainly the outlook from the point of view of the American exporter is gloomy.

Briefly, developments to date are these: Mexico has a new monetary law, called the "Calles Plan" because Former President Calles announced the law immediately after he became chairman of the board of directors of the Bank of Mexico. The law makes the silver peso legal tender, and obligations in gold payable in silver. Gold accounts in banks are payable on a 30% gold, balance in silver, basis. Foreign exchange continues under government control.

### Runs on Banks

Banks have had heavy runs. Credito Espinol de Mexico, a Spanish bank, has closed. Banco Nacional de Mexico, not a government bank but the country's leading domestic commercial bank, reopened after a heavy run, is reported sound. Withdrawals have been heavy for transfer abroad, largely to the United States. Reports say that at least 75% of dollar and gold accounts have been removed from Mexican banks. Foreign banks threaten to withdraw. The National City Bank is the only American bank in Mexico. Other American banks operate through agents. British and Canadian banks with Mexican branches include the Royal Bank of Canada, Bank of Montreal, Canadian Bank of Commerce, and the Anglo-South American Bank.

### Workers to Benefit

To the mass of Mexican laborers, the new law is likely to be beneficial. Wages are usually paid in silver pesos. Often rents have been payable in gold. Debt obligations are contracted in gold. Now automatically these are reduced to silver at, roughly,  $\frac{1}{3}$  the value of gold.

To business, the new law is a severe blow. Outstanding payments are automatically cut to 30%. Scarcely less harmful is the uncertainty which has been created. Bankers with large outstanding loans stand to lose heavily.

To exporters shipping to Mexico, the law cuts off, at least for a time, a large market.

The outlook is uncertain. The value of the peso may be increased through scarcity. Such a plan worked after the war when currency was deliberately debased. It may work again, but success is not yet assured.

## Fast . . . . . Timely . . . . . Thorough

To press Thursday night, on its way to subscribers Friday and Saturday—*The Business Week* has set a record in periodical publishing.

More important, it serves its subscribers with timely information—live, dramatic pulsating, business NEWS; the meaning of new developments; the status of current business activity.

## THE BUSINESS WEEK

*first because fastest—closest to the News!*

# The Figures of the Week And What They Mean

August opens with business activity at a low level and prospects for near-term improvement exceedingly uncertain. With the foreign situation still lacking definite signs of solution and domestic news far from encouraging, the summer wears on with the dullness of the past month somewhat intensified.... The spurt in steel activity proved temporary.... Building contracts failed to maintain the level attained last week.... Carloadings turned downward instead of moving sharply upward.... Check payments reached the year's low.... Commodity prices continue to decline.... The *Business Week* index of general business activity fell to a new low for the week of Aug 1 when it reached 72.8% of normal compared with the revised figure of 75.1% the preceding week.

The optimistic note maintained by the steel trade journals in the face of declining production rates has ap-

parently reached the limit. The announcement of poor second quarter earnings coupled with meager prospects for the third has modified the best hopes of the trade. Steel ingot production has returned to the level of two weeks ago at 31% of capacity, the rise to 33% of last week failing to hold. Steel ingot production is placed at 48% of normal compared with 51% the preceding week. The *Iron Age* views the outlook for August with considerable dismay, since half of the automobile capacity of the country is reputed idle, important rail mills are closed, and nothing but minor fluctuations in activity have occurred in any branch of the industry. Some steel makers are doubtful that August will equal July, and are extremely skeptical of any substantial improvement in September.

The railroads are not expected to place any orders except for 1932 delivery. The failure of carloadings to show any improvement in the past two

weeks is disturbing. A 30% reduction in the peach pack and 42% in the pea pack account for the declining operations of tin plate mills. The usual shut downs of a number of important motor producers during August add no cheer to steel companies catering to these concerns. August promises to be the low month of the year to date with assemblies estimated at 160,000 compared with some 200,000 for July. Whether September will bring any substantial revival hinges on the possible gains from Ford's revised model A scheduled this fall. Passenger car registrations in June declined nearly 19% from May. The Chicago district was brightened by reports of sales of farm implements from warehouses. The *American Metal Market* looks to farm buying and miscellaneous lines to stimulate a little activity in steel.

## Pig Iron

Pig iron production in July reached the lowest since November, 1921, both as to daily average and total output. The decline of 10.7% from the June total of 1,638,629 tons brought the July figure to 1,463,220 tons. A net loss of 9 furnaces was reported.

The leading price development was

	Latest Week	Preceding Week	Year Ago	Five Year Average 1926-1930
<b>THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY.....</b>				
	*72.8	†75.1	86.6	.....
<b>Production</b>				
Steel Ingot Operation (% of capacity).....	31	33	58	76
Building Contracts (F.W.Dodge, 4-week daily average in thousands).....	\$11,803	\$12,070	\$15,766	\$21,067
Bituminous Coal (daily average, 1,000 tons).....	*1,124	*1,131	1,347	1,529
Electric Power (millions K.W.H.).....	1,644	†1,651	†1,678	1,526
<b>Trade</b>				
Total Carloadings (daily average, 1,000 cars).....	124	126	153	173
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	82	83	98	108
Check Payments (outside N. Y. City, millions).....	\$3,543	\$3,981	\$4,584	\$5,087
Money in Circulation (daily average, millions).....	\$4,812	\$4,817	\$4,432	\$4,725
<b>Prices (Average for the Week)</b>				
Wheat (No. 2, hard winter, Kansas City, bu.).....		\$ .45	\$ .78	\$ 1.19
Cotton (middling, New York, lb.).....		\$ .088	\$ .129	\$ .180
Iron and Steel (STEEL composite, ton).....	\$31.06	†\$31.06	\$33.08	\$35.70
Copper (electrolytic, f.o.b. refinery, lb.).....	\$ .074	\$ .075	\$ .108	\$ .141
All Commodities (Fisher's Index, 1926 = 100).....	69.3	69.5	82.9	94.4
<b>Finance</b>				
Total Federal Reserve Credit Outstanding (daily average, millions).....		\$944	\$950	\$1,222
Loans, Investments, Federal Reserve reporting member banks (millions).....	\$22,296	\$22,284	\$23,236	\$21,498
Commercial Loans, Federal Reserve reporting member banks (millions).....	\$7,942	\$7,957	\$8,554	\$8,757
Security Loans, Federal Reserve reporting member banks (millions).....	\$6,544	\$6,570	\$8,391	\$6,978
Brokers' Loans, N.Y. Federal Reserve reporting member banks (millions).....		\$1,390	\$3,214	\$3,874
Stock Prices (average 100 stocks, Herald-Tribune).....	\$119.41	\$162.72	\$154.11	
Bond Prices (Dow, Jones, average 40 bonds).....	\$95.53	\$96.13	\$95.38	
Interest Rates—Call Loans (daily average, renewal).....	1.5%	2.0%	5.3%	
Interest Rates—Prime Commercial Paper (4-6 months).....	2%	3-3 1/2%	4.5%	
Business Failures (Dun, number).....	483	469	468	427

\*Preliminary

†Revised



the abandonment of the Detroit basing point for bars announced a few weeks ago (*BW*—Jul 22 '31). Consumers outside of the Detroit area were not satisfied by the new set-up, since the parity that formerly prevailed between local users and those in out-lying centers was disturbed.

### Building

Building construction during the last days in July fell off sharply largely as a result of further shrinkage in the public works and utilities group. Our adjusted index for the week ending July 24 remained at 60% of normal for the second consecutive week, but for the closing week of July it declined to 57% of normal. Non-residential contracts that had been the feature of the month in showing a substantial increase compared with June, declined 13% on a daily average basis during the last 8 days of July. The volume of the first 3 weeks, however, will be sufficient to show a gain over June for the month as a whole. Residential awards are holding to the level of the past 3 weeks.

Bituminous coal production showed but little change from the week of July 25. Our adjusted index moved to 56% of normal compared with 58% the preceding week. Anthracite production rose 17% during the same week, with demand in the Pittsburgh area showing a sudden spurt. Industrial coal consumption in June is estimated 7% below May and much the lowest for any month of the past year.

Electric power production for the week of August 1 declined slightly from the preceding week. Our adjusted index declined to 90% of normal compared with 91% the preceding week. The figures on electric power production have been revised slightly down-

ward so that the weekly data may be more in line with the monthly reports of the light and power companies. The trend, however, remains unchanged. The comprehensive report of the Geological Survey for June shows an increase of 1.5% in daily average electric power production compared with May. The 3% decline in total output from June 1930 is less than the declines of preceding months of this year.

While the decline in carloadings in the past 2 weeks follows that of 1930, the expectation is for a steady rise until the fall peak. The week of July 25 shows the sharpest decline for the week in the classification grain and grain products. The reduction of grain rates ordered for August 1 is believed to have diminished the shipments of grain during July. The decline in revenue to the roads as a result of the grain rate revision is estimated at \$20 millions annually. Miscellaneous and less than carlot freight declined to March levels, while our adjusted index based upon these groups moved downward to 70% of normal compared with 71% the preceding week.

An 11% decline in bank debits in the 140 cities outside of New York for the week of July 29 brought the total volume of check payments to the lowest level of any week for many years. Our adjusted index based on the average of the past two weeks declined sharply to 76% of normal compared with 80% the preceding week. The sharpest declines occurred in the smaller centers.

Currency circulation has eased off very slowly in the past 3 weeks. Cash hoarding still prevails. Our adjusted index remains at the high level of 121% of normal.

Commodity prices as a whole con-

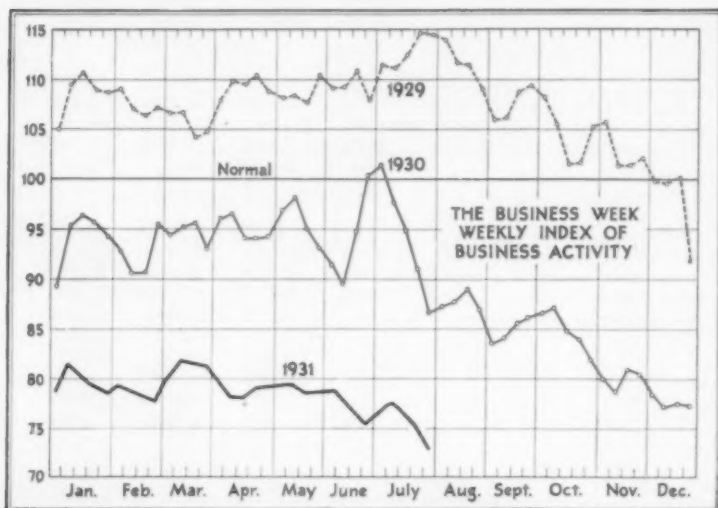
### The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

tinue to fluctuate in a narrow range though individual commodities have established new lows for the reason or for all time. All deliveries of wheat and oats and the new crop futures of corn fell to new lows for the season on the Board of Trade, while September wheat made a new all time low. Heavy accumulation of supplies in the domestic market with a dull export demand outweighed the unfavorable spring crop outlook. Public elevator stocks at Kansas City rose to a new record total. Reports of sale of surplus crops abroad still lack confirmation. Cotton prices on the New York Exchange made new low records in 7 consecutive sessions. Spot cotton fell to 8¢ a pound without encouraging a sale. Demand for new-crop cotton lags. Consumption of American cotton during the past season will probably establish a low record for many years. The non-ferrous markets were dull with volume of sales below normal. Prices held up fairly well with the exception of copper which dropped off a quarter of a cent to a new all time low. Silver and tin advanced, while lead held its own. Zinc is slightly lower, but firm. Steel markets are slow and reveal mixed trends.

Commercial loans again declined. Our adjusted index fell slightly to 114% of normal compared with 115% the preceding week.

Commercial failures show an upward tendency during July, though the month's total was slightly below June. Liabilities involved in the 1,983 failures totaled \$60,997,000, an increase of 53% over a year ago.





# Trends of the Markets

## In Money, Stocks, Bonds

Discouragement in Wall Street sends stocks and bonds downward. ... Railroads are the center of security price weakness.... Federal Reserve credit rises as the system places \$10 millions abroad.... Money in circulation makes a new high for the year.

### Reserve Credit Rises As Funds Go Abroad

Some relief to financially hard-put foreigners was offered by the Federal Reserve this week, probably in the purchase of sterling exchange which was weak several times. The amount of funds placed abroad was boosted by \$10 millions. This increase in Reserve credit was accompanied by small increases in both borrowings and U. S. government security holdings. The total rose to the highest point since January of this year, though it was equalled during one week in May.

The Reserve action while constructive, was not aggressive. The additional rise in borrowings, while small, is unfavorable in that borrowings tighten funds.

### Gold Stocks Gain

Supplementing the rise in Reserve credit was a \$2-million gain in gold stocks. This resulted largely from gains from abroad. Total imports were \$14 millions, coming from Germany, England, Argentina, Mexico with small

amounts from other Latin American nations. Offsetting the imports was an increase of \$13.7 millions in gold earmarked for foreign account.

The increase in sources of money resulting from the Reserve credit and gold gains was largely absorbed by further increase in non-member bank deposits with the Federal Reserve banks. This rise has been steady, is the result of disturbed banking conditions. Many of the non-members want to have balances available for clearings.

### Circulation High

Money in circulation Wednesday reached the highest level for Wednesdays since late 1930. This large increase caused a comparable drop in member bank deposits with the Federal Reserve, as these deposits were used to supply the money the public demanded. The currency rise was mostly a seasonal one, though a little of it probably was due to some disturbance in banking conditions.

The decline in member bank deposits with the Federal Reserve occurred entirely within the New York City district. There was an increase of money in circulation and "all other" loans of banks there rose sharply. These are usually called commercial loans, and the rise may have been purchases of bankers' acceptances. Statements do not indicate whether any of this represented advances to foreigners. The New York

City banks showed slight borrowings from the Reserve bank this week for the first time since February.

Brokers' loans declined again to a new low of \$1,346 millions. The New York City banks withdraw large amounts from the call market, accounting for virtually all of the decline.

### German Credit Plans

New York City and other banks were negotiating with Germany and German banks this week regarding their short-term credits in Germany. An agreement for extension apparently has been reached, but there is much dissatisfaction, especially over German-drawn acceptances held here.

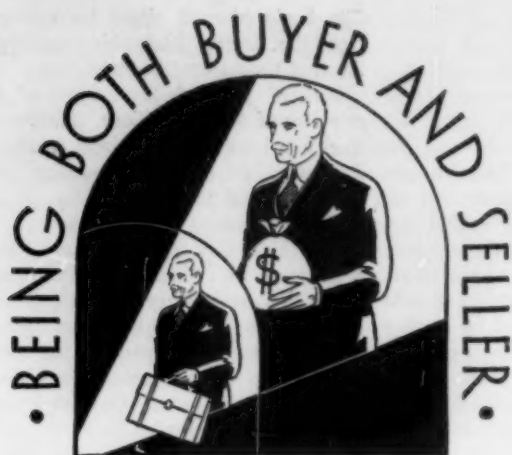
Many fear that the change of short-term into long-term credits in the case of Germany may make the banks more cautious, less willing to extend credit here. For the German change makes the banks less liquid, and they may seek to return to their extreme liquidity in the future.

### Wall Street Talks More Than It Acts

DECLINING stock prices this week reflected a deepening gloom among the buyers and sellers of common stock. Time will justify or prove wrong the feeling which has prevailed for the several days. The past has shown that frequently Wall Street's bluest days are the best days on which to buy stock—but the rule is not infallible.

The gloom thus far lacks the conviction which accompanied many previous periods of discouragement. For





*"The old adage: 'Competition is the life of trade,' contains a half-truth. Recent developments in the commodity situation show that unrestrained competition is likely to be the destruction of society . . ."*

—THOMAS L. CHADBOURNE  
June 7, 1931

**T**ODAY'S competition differs from that of two years ago. We are building toward a more enlightened system of distribution and the blueprints call for junking old methods.

Concentration of both buying and selling is good business strategy today. Top executives have recaptured much of the buying and selling authority delegated in boom times. They are restraining competitive efforts to resultful markets.

The Business Week sees aggressive organizations getting profitable business while others sit back and wait for better times. We find that most well-managed enterprises have ample funds available and a definite need for new equipment, products and services. But, we have also found that the recapture of buying power by yourself and your fellow leaders of business has created a sales situation which you, alone, can solve.

Your compact group controls the production of a vast majority of the goods and services needed by business. The fact that you have simultaneously taken over the approval of expenditures means that each of your group must sell the others. It can't be done by personal selling alone . . . top executives don't often see salesmen. But you can reach your fellow leaders of business through the advertising pages of The Business Week.

As an indication of the influence centered in you and your co-readers of The Business Week, one hundred subscribers alone hold 2,655 corporate offices . . . an average of 26 functions and 14 company connections per man. The advertising value of your messages placed before this group is thus multiplied many times. You will not find this dominant buying power concentrated in any other single publication.



many of the most cheerless talkers hesitate to back their expressed beliefs by sales. And most of the few optimists are equally unwilling to act. Hence the small sales volume. Some definite development apparently could swing the balance in either direction, though the prevailing attitude would make a further decline the easier course.

Sagging stock prices since the high reached June 27 have followed much the course of most previous moves. The average price of railroad shares is down 18.2%, of industrials 14.5%, of utilities 10.7%. The same relative losses are reflected in the percentages of loss from the June 3-27 upswing. Railroad averages have lost 74% of the June upturn, industrials 64% and utilities only 51%.

### Railroads Weak

The weak position of railroad shares is an important clue to the gloom. Very unseasonal declines in carloadings in recent weeks look bad for the already serious financial position of many roads. Other business factors were mostly unfavorable this week, as reflected by the new depression low of our index of business activity.

## Bonds Weaken Further In Apathetic Market

BOND prices weakened further in a dull, though not altogether dead, market. The course of prices continues almost identical with that of stocks, as may be

noted by comparing the chart on this page with that on page 43.

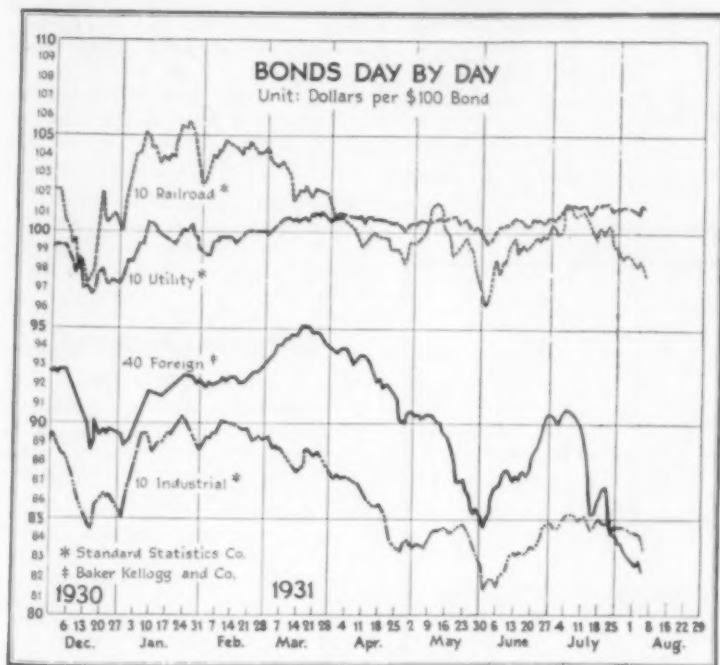
Bond prices hit the low of recent months in the week May 30-June 6, the same week that stocks hit all-depression lows. Both stocks and bonds rallied simultaneously. Stocks rose to the high of the move on June 27, bonds a few days later. Since then both have slid down the barometer with persistent steadiness, rails and industrials furthest, with utilities the strongest on the list.

### Lost Confidence

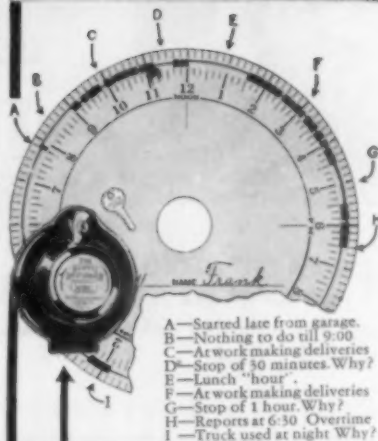
The story is one of receding confidence of the financial community in the healthfulness of the business world, in chances of any important recovery in the autumn. In the bond market, holders fear for their interest. As in stocks, uncertainty regarding domestic issues is greatest in railroads. Their bonds slid sharply downward this week as investors' betrayed increased doubts of I.C.C. aid or of the worth of such action if it comes. The weakness of rail bonds is especially grave in that rail issues constitute the backbone of most institutional investments.

Industrial issues have receded most severely since late May. Much of this was due to earnings reports. (See pages 5-6.) Utilities held up with little change, continue to enjoy their preference in investor-confidence.

Foreign bonds receded to new low levels for the present depression, indicating lack of confidence in the outlook for foreign affairs.



# What's Your Truck Doing All Day?



## This Little Device Tells Every Move the Truck Makes

SEE THAT CHART! Those wide heavy marks show just when your motor truck was working, and how long. In between are blank spaces that show idle time. The result is a complete record, in fact a picture of just what your truck did for the past 24 hours.

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Motor trucks are expensive to operate. The running time of a truck costs from \$3 to \$5 an hour! That's why delays, avoidable delays, are so costly. Half an hour per day avoidable idle time easily costs you \$500 per year. It's a big loss. That's why over 70,000 trucks are already Servis Recorder equipped.

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When you can actually see these delays, you can stop them—easily. How?

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Attention of \_\_\_\_\_

Street \_\_\_\_\_

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# H

## ELPS TO LOWER FABRICATION COSTS

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**F**EWER OPERATIONS, less handling, faster production, lower costs, better products are made possible thru the use of zinc coated and copper coated ThomasStrip cold rolled strip steel.

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**THE BUSINESS WEEK**

## Wide Reading

**THE RESPONSIBILITY OF BANKERS.** James Truslow Adams. *Forum*, August. In them we trust—in vain.

**UNIMPORTANCE OF SILVER.** Joseph Stagg Lawrence. *World's Work*, August. Is the silver-relief agitation a brand of special pleading or a panacea for our ills?

**THE SCOPE OF MANAGEMENT IN OUR FUTURE BUSINESS DEVELOPMENT.** J. P. Jordan. *Mechanical Engineering*, August. Factors essential in the establishment of good management. The duty of management in respect to a company and to the industry of which the company forms a part.

**MASS TRANSPORTATION MUST BE PLACED ON A FIRM FINANCIAL BASIS.** Francis H. Sisson. *Electric Railway Journal*, August. Possible ways of placing mass transportation on a better financial basis.

**NINE DAYS AROUND THE WORLD.** *Aviation*, August. Mechanical aspects of the Post-Gatty flight.

**TELEVISION: ITS PROBABILITIES AND POSSIBILITIES.** Thomas Calvert McClary. *Forbes*, Aug. 1. Progress to date. Types of receiving sets and broadcasts now available.

**TOWNLESS HIGHWAYS FOR THE MOTORIST.** Benton MacKaye and Lewis Mumford. *Harpers*, August. How can we keep the highways away from the town and the towns off the main roads?

**THE FINANCE COMPANY RACKET.** Ulric Whitaker. *American Mercury*, August. It is no help to the buying habits of the country. Some of the common rackets.

**WHAT KIND OF BOSS ARE YOU?** By an employee. *Nation's Business*, August. How good are you? A check list—worth a glance.

**"THE ROCKNE SYSTEM" APPLIED TO SALES TRAINING.** David R. Osborne. *Printers' Ink Monthly*, August. Studebaker goes on with the Rockne system.

**WHEN WILL RADIO QUIT SELLING ITS "EDITORIAL PAGES"?** *Advertising & Selling*, July 22. An advertising agency executive challenges the policy of the radio broadcasters.

## REPORTS—SURVEYS

**REPORT OF THE MACMILLAN COMMITTEE ON FINANCE AND INDUSTRY.** British Library of Information, New York, 322 pp., \$1.30 plus postage. Britain's intensive study of the banking and financial system, with recommendations for future policies.

**THE BALANCE OF INTERNATIONAL PAYMENTS OF THE UNITED STATES IN 1930.** Finance and Investment Division, Bureau of Foreign and Domestic Commerce, Washington, 76 pp., 10c. The ninth consecutive annual report on the balance of international payments.



# JAMES W. DUBLIN, Rtd.

## *Russian Reverie*

THE subject of Russia is all questions and no answers. Once we thought we understood the Russians in simple terms as people who sang the Volga Boat Song, danced on their fannies and got up good shows like the Chauve Souris. Suddenly they double-crossed us and gave us wheat, pulp-wood, propaganda and the nervous jumpies.

Strangely, though, the Russians want something off us which is a direct and distinctive invention of Capitalism. We call it Speed.

Speed is something more than the ownership of machines. The U.S.A. brand is a disposition, a mental essence, a quality inspired not by edict, but by a natural spontaneity. We didn't naturalize our aliens by administering an oath, but by giving them a *tempo*.

\* \* \*

Whether the Soviet Councils are in possession of this state secret, I don't know. But the fact that they hanker for our great gift is a plain admission that the communistic order is hardly yet a Heaven hauled down to Earth to mock the economic heathen of other nations.

The new Russia is still in the camp-meeting stage. And I suspect that the Soviet leaders have learned somewhere (probably from some old-timer American engineer) that the camp-meeting substances are highly evaporative.

Hence the Russian anxiety to get some haste into the Five Year Plan. For to deliver the Promised Land to the congregation means the physical creation of a bevy of Pittsburghs and Detroit, yea and a lot of Tulsas, Kansas Citys and assorted way stations also. The communistic genesis is patterned on American scale.

\* \* \*

But, apparently, we should not give any speed to the Soviets. About a month ago Ambassador Edge warned us not to sell the Russians any machines or rent 'em any smart American brains. Why? Well, leaving aside the fact that there may be moths in the Muscovite credit, if the Russians get machines they will make goods and shove the stuff on us. Moreover the Russian philosophy is phooey for Capitalism and the Russian slogan is that millionaires are boils on the fair neck of society.

Therefore, the American business man is regularly reminded that he is the custodian of an ethic. This ethic

puts the Starred and Striped mind in between the American dollar and its conscience, which is a tough spot. Shall we, we ask ourselves, sell our souls to the Russians in the shape of lathes and stamping machines? Or shall we abide in the spiritual mansions of our forefathers and let Europe go to everlasting hell by furnishing the Soviet with concrete mixers and structural steel?

And now, by gosh! just as we were all set to be menaced by these sinister Russians up pops Stalin in the Pravda (newspaper) and declares a policy of Individualism, unequal wages, competition, just like the U.S.A.

Suddenly everything looks safer—and no longer do we have to carry around the symptoms of a canary who has been tipped off that a new tom cat is airing his whiskers in the neighborhood. Proving once more you can't trust Russians and if we are not careful they will be making us like 'em.

Perhaps when we get over this present dose of drearies which is such fertile ground for our Russian neurosis we shall see more clearly. Perhaps then we shall gather a little statesmanship, a little financial acumen and a modicum of that celebrated stuff one time known as American nerve—and thus get a little cut of Russian business.

\* \* \*

Meanwhile it is never a loss to reflect upon this one truth: the human world is a dickering world. Older than any art is the art of swapping. It came first. Diplomacy suckled at its breast. Governments learned at its knee. It bred finance.

Certainly it has become necessary for us to know Russia realistically and with sequential knowledge. In what other way can we know except through trade relationships?

Why does the American business man go to trade conventions? To hear speeches? Not much. It's to acquire the latest low-down on his competitors in Room 712 where the Scotch and the first-hand gossip is passed out.

As a parting word allow me to thank the Russians on behalf of the Pamphleteers Union. In the past two years they have kept my writing brothers in Camels and caviar during a spell that otherwise might have been a pretty hard-scrabble proposition.

## And Yet...

## They Saved

## \$90,000 More

*They were good steam plants—well equipped and maintained—well operated by better than average operating personnel. And the corporation's officers were very particular about accurate and complete cost records. But they cut their fuel expense \$90,000 in the last 3 years, without one dollar spent for new equipment.*

Our services brought to this well managed manufacturing company something more than they had already—the accumulated experience of an organization of engineers which has dealt exclusively with the problem of steam generating economy in hundreds of plants for the past quarter-century.

And with it came a new incentive to make every day's performance count—management better informed than ever, and with less effort—coal buying quickly and accurately adaptable to the best coal market values—and the facts needed to turn these into effective economy.

Similar results can be secured in nine out of ten industrial steam plants of 500 horsepower or more, today. More than likely in yours. It is merely a matter of giving your staff a chance to put into immediate use the special facilities and accumulated experience of our organization.

"Where Lies Your Course?" is the title of a booklet which we have issued for industrial executives, who are interested in lower steam costs without new capital expenditure. A copy will be sent on request.

EST.  1907

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116 East 18th Street, N. Y. C.

# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

August 12, 1931

## Industry's Second Pair of Pants

WHEN a country accustomed to good clothes has been compelled by inscrutable economic law to sit on the abrasive bottom of a depression for six months, thinking it over like Rodin's statue, its trousers wear thin. So it rises from its uninspiring position and proceeds to the nearest pants emporium.

This fact involves some interesting consequences. Recovery may invariably start at the bottom, as it now appears to be doing, with embarrassed consumers, encouraged by low prices to replace their perishable requirements of shirts, suits, shoes, neckties and tires; but in the end and before long it inevitably involves some thinking at the top; about the no less important and perishable productive equipment of industry, which likewise wears out and often exposes a balance sheet which is embarrassingly bare of profits.

Although the end of all industry is to supply the 125 million individuals in this country, and formerly a few abroad, with the goods and services they want, and some they don't want, only a little more than half the workers employed and total wages paid in the manufacturing industries are devoted to this purpose. The rest are producing machinery for the others to use. To them should be added those engaged in construction work of all kinds.

This great group, normally in number and purchasing power probably the major part of the working population, are always the earliest, longest and worst sufferers from depression. The volume of consumers' goods produced and bought varies relatively little—not over 15%—above or below normal at the extremes of boom or depression; the investment in capital goods,

and therefore activity and employment in the basic industries, fluctuates many times as widely. It is these fluctuations that make not only the peaks of prosperity on which the security speculator is impaled, but the bottom of depression on which the worker's second pair of pants are worn through. If business is ever to be stabilized it must come through their control.

In this there are two fundamental factors—credit policy of our banking system and management policy of industry. Without intelligent correlation of the two, stabilization is impossible. The construction and equipment industries are the channels through which the past savings of society are converted into current consumer purchasing power—through which the surplus of those who cannot spend all they earn becomes available to those who cannot buy all they produce. The banking system is the bottleneck that controls this flow of funds by adjusting long-term interest costs so that the rate of saving and the rate of investment may remain in balance.

But even though credit control were effective, which it is not, industrial management would still have to play its part intelligently, by adequate obsolescence policies and better understanding of the profitable possibilities of modernization in periods of depression and business recovery.

Industry's second pair of pants, its productive equipment, is as well worn as the consumer's and much more important. In 1930 nearly half of it was already over ten years old. The intelligently managed concern will not wisely wait till the tender spots of its profit and loss account are exposed to competitors before ordering a new suit in which to meet the consumers now being called to it by deferred demand and low prices.

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